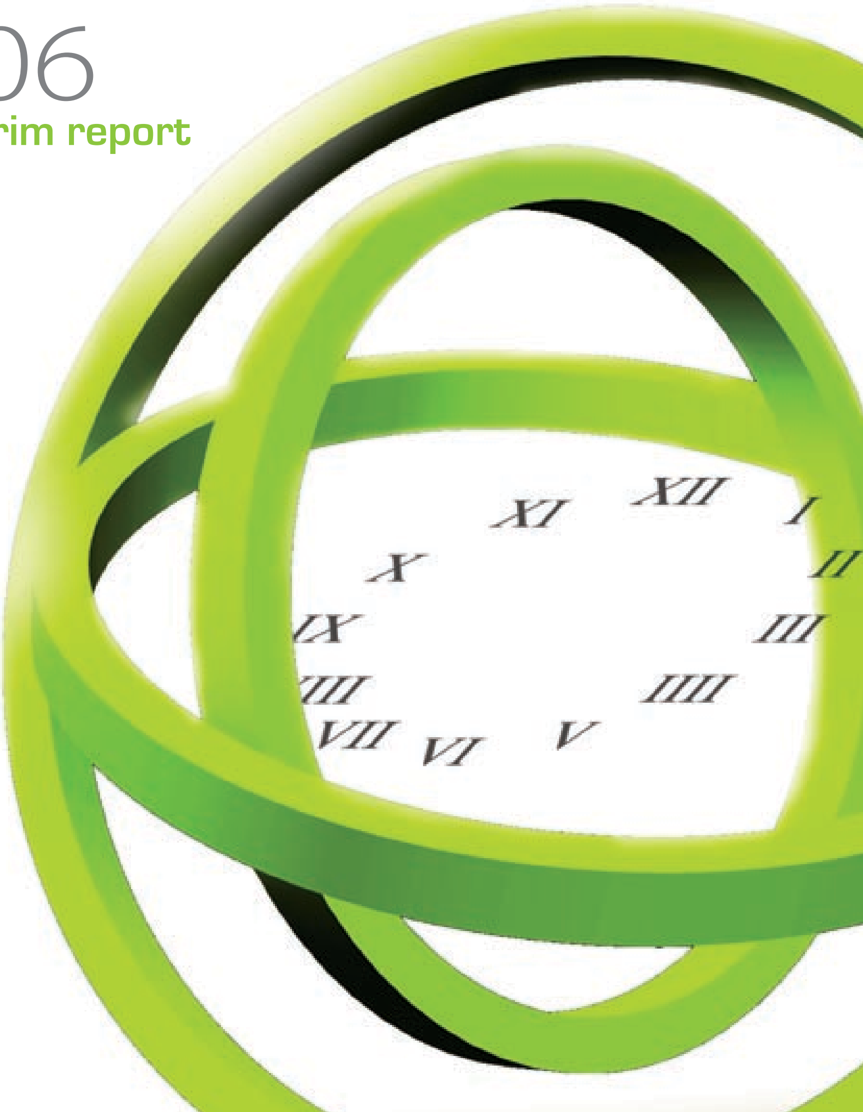
ARTFIELD GROUP LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code : 1229

2006

interim report



INTERIM RESULTS

The board of directors (the "Board") of Artfield Group Limited (the "Company") would like to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2006, together with the comparative figures, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 September 2006 (Unaudited) HK$'000	2005 (Unaudited) HK$'000
Turnover	4	**89,348**	124,526
Cost of goods sold and services provided		**(80,001)**	(93,796)
Gross profit		**9,347**	30,730
Other operating income		**1,234**	1,785
Selling and distribution expenses		**(5,029)**	(6,850)
Administrative expenses		**(20,582)**	(23,115)
Other operating expenses		**–**	(317)
Finance costs	5	**(1,014)**	(1,180)
Gain on disposal of subsidiaries		**4,558**	–
(LOSS)/PROFIT BEFORE TAX	6	**(11,486)**	1,053
Income tax expenses	7	**(1)**	(54)
NET (LOSS)/PROFIT FOR THE PERIOD		**(11,487)**	999
Attributable to:			
Equity holders of the Company		**(11,982)**	664
Minority interests		**495**	335
		(11,487)	999
(LOSS)/EARNINGS PER SHARE	8		
Basic *(HK cent)*		**(3.95)**	0.25
Diluted *(HK cent)*		**N/A**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at 30 September 2006 (Unaudited) HK$'000	As at 31 March 2006 (Audited) HK$'000
Non-current assets			
Investment properties		**4,884**	6,426
Property, plant and equipment		**54,585**	56,499
Prepaid lease payments on land use rights		**9,048**	9,008
Intangible assets		**46,440**	—
Goodwill		**3,963**	—
Interests in associates		**—**	6,000
Deferred tax assets		**135**	135
		119,055	78,068
Current assets			
Inventories		**73,388**	79,118
Trade and bills receivables	10	**55,207**	55,637
Prepayments, deposits and other receivables		**10,618**	6,128
Prepaid lease payments on land use rights		**220**	220
Financial assets at fair value through profit or loss		**2,343**	2,343
Tax recoverable		**372**	86
Bank balances and cash		**4,728**	8,029
		146,876	151,561

CONDENSED CONSOLIDATED BALANCE SHEET

— Continued

	Notes	As at 30 September 2006 (Unaudited) HK$'000	As at 31 March 2006 (Audited) HK$'000
Current liabilities			
Trade payables	11	**24,976**	28,553
Other payables and accruals		**19,244**	21,877
Tax payable		**1,190**	1,277
Obligations under finance leases			
— due within one year		**438**	598
Bank and other borrowings			
— due within one year		**40,092**	32,391
		85,940	84,696
Net current assets		**60,936**	66,865
Total assets less current liabilities		**179,991**	144,933
Capital and reserves			
Share capital		**30,448**	26,248
Reserves		**141,602**	106,591
Equity attributable to equity holders of the Company		**172,050**	132,839
Minority interests		**3,041**	7,002
		175,091	139,841
Non-current liabilities			
Obligations under finance leases			
— due after one year		**393**	586
Deferred tax liabilities		**4,507**	4,506
		4,900	5,092
		179,991	144,933

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK$'000	Share premium HK$'000	Property revaluation reserve HK$'000	Capital reserve HK$'000	Reserve and enterprise expansion funds HK$'000	Exchange fluctuation reserve HK$'000	Retained earning/ (deficit) HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 April 2006	26,248	40,481	11,542	45,994	9,116	4,214	(4,756)	132,839	7,002	139,841
Issue of shares on acquisition of a subsidiary	4,200	46,200	–	–	–	–	–	50,400	–	50,400
Exchange differences arising on translation of overseas operations	–	–	–	–	–	793	–	793	–	793
(Loss)/profit for the period	–	–	–	–	–	–	(11,982)	(11,982)	495	(11,487)
Dividend payment	–	–	–	–	–	–	–	–	(4,456)	(4,456)
At 30 September 2006 (unaudited)	**30,448**	**86,681**	**11,542**	**45,994**	**9,116**	**5,007**	**(16,738)**	**172,050**	**3,041**	**175,091**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY — *Continued*

	Share capital HK$'000	Share premium HK$'000	Property revaluation reserve HK$'000	Capital reserve HK$'000	Reserve and enterprise expansion funds HK$'000	Exchange fluctuation reserve HK$'000	Retained earning/ (deficit) HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 April 2005										
– As originally stated	26,248	40,481	21,754	42,603	9,116	(420)	54,673	194,455	6,964	201,419
Derecognition of revaluation reserve on land use rights	–	–	(8,732)	–	–	–	–	(8,732)	–	(8,732)
Reversal of accumulated depreciation on revaluation surplus on land use rights	–	–	–	–	–	–	2,785	2,785	–	2,785
– Release of negative goodwill previously recorded in interests in associates	–	–	–	–	–	–	11,452	11,452	–	11,452
– As restated	26,248	40,481	13,022	42,603	9,116	(420)	68,910	199,960	6,964	206,924
Exchange differences arising on translation of overseas operations	–	–	–	–	214	1,836	–	2,050	–	2,050
Net profit for the period	–	–	–	–	–	–	664	664	335	999
At 30 September 2005 (unaudited)	26,248	40,481	13,022	42,603	9,330	1,416	69,574	202,674	7,299	209,973

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 September 2006 (Unaudited) HK$'000	2005 (Unaudited) HK$'000
Net cash from operating activities	**(19,271)**	3,236
Net cash used in investing activities	**8,622**	(1,899)
Net cash used in financing activities	**8,161**	(1,519)
(Decrease)/Increase in cash and cash equivalents	**(2,488)**	(182)
Cash and cash equivalents at beginning of period	**(3,387)**	1,043
Cash and cash equivalents at end of period	**(5,875)**	861
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**4,728**	8,766
Bank overdrafts	**(10,603)**	(7,905)
	(5,875)	861

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting polices used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2006 except that the Group has adopted, for the front time for the current period's financial statements, the new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), HKASs and Interpretations (hereinafter collectively referred to as "New HKFRS") issued by the HKICPA that are either effective for accounting periods beginning on or after 1 January 2006. The adoption of the new HKFRSs has no material impact on the accounting policies of the Group and the methods of computation in the Group's condensed interim financial statements.

3. POTENTIAL IMPACT ARISING ON THE NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE

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

HKAS 1 Amendment	Capital Disclosures[1]
HKFRS 7	Financial Instruments Disclosures[1]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[2]
HK(IFRIC) – INT 8	Scope of HKFRS 2[3]
HK(IFRIC) – INT 9	Reassessment of embedded derivatives[4]

1 Effective for accounting period beginning on or after 1 January 2007
2 Effective for accounting period beginning on or after 1 March 2006
3 Effective for accounting period beginning on or after 1 May 2006
4 Effective for accounting period beginning on or after 1 June 2006

4. TURNOVER AND SEGMENTAL INFORMATION

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

An analysis of the Group's turnover and result information by business segment for the six months ended 30 September 2006 is as follows:

Business segments

	Clocks and other office related products		Lighting products		Trading		Electroplating services		(Unaudited) Total	
	Six months ended 30 September									
	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	**66,166**	88,938	**4,136**	9,337	**13,969**	16,987	**5,077**	9,264	**89,348**	124,526
Segment results	**(10,397)**	4,436	**(1,114)**	(677)	**(1,155)**	227	**1,219**	1,868	**(11,447)**	5,854
Interest income									**33**	56
Net unallocated expenses									**(3,616)**	(3,677)
Finance costs									**(1,014)**	(1,180)
Gain on disposal of subsidiaries									**4,558**	–
(Loss)/profit before tax									**(11,486)**	1,053
Income tax expenses									**(1)**	(54)
Net (loss)/profit for the period									**(11,487)**	999

5. FINANCE COSTS

	Six months ended 30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest on:		
Bank loans and overdrafts	**973**	1,177
Finance leases	**41**	3
	1,014	1,180

6. (LOSS)/PROFIT BEFORE TAX

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

	Six months ended 30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Cost of inventories sold	**77,047**	89,955
Cost of services provided	**2,954**	3,841
Staff costs	**21,783**	22,534
Depreciation	**4,360**	4,451
Amortisation of prepaid lease payment on land use rights	**66**	109
Amortisation of intangible assets	**120**	14
Net rental income	**(351)**	(155)
Interest income	**(33)**	(56)

7. INCOME TAX EXPENSES

	Six months ended 30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Hong Kong Profits Tax	**–**	–
Tax in other jurisdictions	**1**	54
	1	54

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

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

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

8. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the net loss for the period of HK$11,982,000 (2005: net profit for the period HK$664,000), and the weighted average number of 303,560,551 (2005: 262,478,584) ordinary shares in issue during the period.

No diluted loss per share has been presented for the period ended 30 September 2006 as the warrants and share options outstanding during the period had an anti-dilutive effect on the basic loss per share.

There were no dilutive potential ordinary shares in issue during the period ended 30 September 2005 and, accordingly, no diluted earning per share was presented.

9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK$884,000 on acquisition of property, plant and equipment.

10. TRADE AND BILLS RECEIVABLES

Trading terms with customers are largely on credit, except for new customers where payment in advance is normally required. Invoices are normally payable within 30 days of issuance, except for certain well-established customers, where the terms are extended to 180 days.

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

	As at 30 September 2006 (Unaudited) HK$'000	As at 31 March 2006 (Audited) HK$'000
Within 90 days	**23,378**	24,214
Between 91 days to 365 days	**24,688**	29,166
Over 1 year	**7,141**	2,257
	55,207	55,637

11. TRADE PAYABLES

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

	As at 30 September 2006 (Unaudited) HK$'000	As at 31 March 2006 (Audited) HK$'000
Within 90 days	**17,618**	19,941
Between 91 days to 365 days	**6,181**	7,220
Over 1 year	**1,177**	1,392
	24,976	28,553

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group has been experiencing a very tough operating environment in the first half of the financial year 2006 with a sharp escalation of materials price, surging labour cost and overheads, the appreciation of Renminbi ("RMB") and the effective of the restriction on the use of certain hazardous substance in electrical and electronic equipment directive ("ROHS Directive") from 1 July 2006 in the European Community. All these factors adversely affected the sales turnover of the Group's businesses.

The Group recorded a sales turnover of approximately HK$89,348,000 for the six months ended 30 September 2006. It represents a reduction of HK$35,178,000 or 28.2% as compared with the same period last year of HK$124,526,000. The sales turnover of clocks and other office related products division decreased by HK$22,772,000; lighting products division decreased by HK$5,201,000; trading division decreased by HK$3,018,000 and electroplating services division decreased by HK$4,187,000.

The Group recorded a net loss of HK$11,487,000 for the six months period ended 30 September 2006 as against a net profit of HK$999,000 for the same period last year.

BUSINESS REVIEW

The performance of each of the Group's businesses for the six months ended 30 September 2006 are set out below:

Clock and Other Office Related Products Business

The clock and other related products division recorded a turnover of HK$66.2 million in the six months period ended 30 September 2006, it represents a reduction of HK$22.7 million or 25.6% as compared with the same period last year.

As a result of the lower sales turnover, the division reported a segment trading loss of HK$10,397,000 as against a segment trading profit of HK$4,436,000 in the same period last year. The results included the loss of the Germany office, Wehrle Uhrenfabrik Gmbh, of HK1,327,000; the United Kingdom office, Ferdinand International (Marketing) Limited, of HK$1,584,000. The inventory of the division decreased by about HK$4.6 million as compared with the position at 31 March 2006 out of the Group's rigorous effort to dispose unused materials and to tightly control inventory level.

Despite a slow sales turnover in the first half of the year, the division expects a stronger second half attaining a sales turnover similar to that of last year.

Lighting Products Business

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$4,558,000. 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 sales turnover of HK$4.1 million and a segment trading loss of HK$1,114,000 in the six months period ended 30 September 2006 as compared with a sales turnover of HK$9.3 million and a segment trading loss of HK$677,000 in the same period last year.

Trading Business

The trading business division mainly engages in the trading of metal in the PRC market. During the period under review, the business division faced severe competition in the market place and the continuing tightening of macro-economic policy in the PRC. The division reported a sales turnover of HK$14.0 million with a segment trading loss of HK$1,155,000 in the six months ended 30 September 2006 as compared with a sales turnover of HK$17.0 million and a segment trading profit of HK$227,000 respectively in the same period last year.

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

Electroplating Services Business

The electroplating services division provides high quality electroplating services to the Group's clock and other office related products division as well as to other customers. The division operates independently to compete with other services providers in the market place. The division's factory has long been established in its present location. It has been accredited with ISO certification in 2001 and in compliance with the local government's requirements with respect to environmental conservation. It also established long term relationship with suppliers for the supplying of restricted material such as potassium gold cyanide「氰化亞金鉀」which is an important ingredient for the use in the electroplating process.

The electroplating services division recorded a turnover of HK$5.1 million in the six months period ended 30 September 2006 as compared with HK$9.3 million in the same period last year. The division reported a segment trading profit of HK$1,219,000 in the period under review as compared with HK$1,868,000 in the same period last year.

The division foresees a further tightening of the environmental protection standards in the Pearl Delta Area of the PRC by the local government which will undoubtedly impose challenges to the division's operating environment in terms of operating cost and profitability.

Matrix Software Inc.

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 registered 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 online computer game is currently under testing stage. The Close Beta version is launched in Korea for internal testing, the Open Beta is scheduled to be launched January 2007 in Korea and February 2007 in the PRC, and will be expected to be commercialized in June 2007, and start to generate income.

PROSPECTS

The Group has undergone a most difficult operating environment in the first half of the financial year 2006 which was not seen in many years of the Group's past operation. However the Group sees the opportunity that lies ahead to turn its businesses into profit if it could successfully compete in the market place by leveraging its strength and core competence.

The Group realized that the cost of the products is of paramount importance to enable the Group to increase its sales and that the existing manufacturing operation may not be so well positioned to enable the Group to lead and compete in the market place. The Group will continue to review, stream-line and restructure its manufacturing operations, including looking into alternative source of sourcing the products, with a view to reducing the cost so as to improve the competitiveness of Group's products in the market place.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2006, the Group had total outstanding debts and finance lease obligations of HK$40,923,000 (31 March 2006: HK$33,575,000), of which HK$25,493,000 (31 March 2006: HK$24,314,000) was secured bank loans, HK$10,563,000 (31 March 2006: HK$11,416,000) was secured overdrafts, HK$2,394,000 (31 March 2006: HK$567,000) was unsecured other loans and HK$831,000 (31 March 2006: HK$1,184,000) was obligations under finance leases. The amount repayable within one year accounted for 99.0% (31 March 2006: 98.3%) of the total borrowings as at 30 September 2006. The maturity profile of the Group's total borrowings as at 30 September 2006 is analysed as follows:

	As at 30 September 2006 (Unaudited)	As at 31 March 2006 (Audited)
Within one year	**99.0%**	98.3%
In the second year	**0.7%**	1.2%
In the third to fifth years, inclusive	**0.3%**	0.5%
Total	**100.0%**	100.0%

Our gearing ratio was at a healthy level of 0.2% (31 March 2006: 0.4%). The computation is based on long-term borrowings of the Group divided by shareholder's fund as at 30 September 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

As at 30 September 2006, certain of the Group's leasehold land and buildings and plant and machinery, and financial assets at fair value through profit or loss of HK$2,343,000 (31 March 2006: HK$2,343,000), were pledged to secures general banking facilities granted to the Group.

FOREIGN EXCHANGE EXPOSURE

The Group mainly earns revenue and incurs costs in US dollars and Hong Kong dollars. Foreign exchange exposure of the Group is minimal so long as the Government of the Hong Kong Special Administrative Region's policy to link the Hong Kong dollars to the US dollars remains in effect.

Since the Group's principal manufacturing operations are in the PRC and most of the operating expenses are denominated in RMB, the management is aware of possible exchange rate exposure. As a hedging strategy, the management emphasizes on using RMB borrowings to finance the Group's PRC operation and capital expenditure.

TREASURY POLICIES

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

CONTINGENT LIABILITIES

As at 30 September 2006, the Group did not have contingent liabilities (2005: nil).

CAPITAL COMMITMENTS

At 30 September 2006, the Group has capital expenditure of about HK$209,000 (2005: HK$303,000) in respect of the acquisition of plant and equipment authorised but not contracted for.

INTERIM DIVIDEND

The Board does not recommend the payment of any dividend for the six months ended 30 September 2006 (2005: nil).

EMPLOYEES

As at 30 September 2006, the Group had 1,504 employees (2005: 2,019) 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.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 September 2006, the interests of the directors and chief executives of the Company in the shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register kept by the Company pursuant to section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Long positions

Ordinary shares of HK$0.10 each of the Company

Name	Capacity	Number of issued shares held	Percentage of the issued share capital of the Company
Mr. LIANG Jin You	Held by controlled corporation (note)	119,184,300	39.14%
Mr. LEE Sang Yoon	Beneficial owner	8,000,000	2.63%

Note: 119,184,300 shares are owned by Golden Glory Group Limited, a company incorporated in the British Virgin Islands. The entire issued share capital of Golden Glory Group Limited is beneficially owned by General Line International (Holdings) Limited, which is in turn 100% beneficially owned by Mr. LIANG Jin You.

Save as disclosed above, none of the other directors, chief executives nor their associates had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 30 September 2006.

SHARE OPTIONS

The Company adopted a share option scheme on 28 August 2003 (the "Scheme"), with expiry date on 27 August 2013, for the purpose of providing incentives to any eligible employee, any director of the Company or any of its subsidiaries or any invested entity, any supplier, any customer, any technical, financial and legal professional advisers and any shareholder who has valuable contribution to the Group.

No share options have been granted under the Scheme since its adoption.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the headings of "Directors' and Chief Executives' Interests in Shares" and "Share Options" above, at no time during the period was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors or chief executives of the Company to acquire benefits by means of the acquisition of shares in, or underlying shares in, or debentures of, the Company or any other body corporate and neither the directors nor the chief executives, nor any of their spouses or children under the age of 18, had any right to subscribe for the shares of the Company, or had exercised any such right.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2006, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors and chief executives, the following shareholders had notified the Company of the relevant interests in the issued share capital of the Company.

Long positions

Ordinary shares of HK$0.10 each of the Company

Name of shareholder	Capacity	Number of issued shares held	Percentage of the issued share capital of the Company
Golden Glory Group Limited	Beneficial owner	119,184,300	39.14%
General Line International (Holdings) Limited	Held by controlled corporation (note)	119,184,300	39.14%

Note: 119,184,300 shares are owned by Golden Glory Group Limited ,a company incorporated in the British Virgin Islands. The entire issued share capital of Golden Glory Group Limited is beneficially owned by General Line International (Holdings) Limited, which is in turn 100% beneficially owned by Mr. LIANG Jin You.

Save as disclosed above, as at 30 September 2006, no persons, other than a director or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

No director had interests in a business and which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), during the six months ended 30 September 2006.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the six months ended 30 September 2006.

CORPORATE GOVERNANCE

The Company is committed to maintaining statutory and regulatory standards and adherence to the principles of corporate governance emphasizing on transparency, independence, accountability, responsibility and fairness.

The Company has complied throughout the six months ended 30 September 2006 with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules except for the following deviations:

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the directors. All directors of the Company have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the six months ended 30 September 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 unaudited interim financial statements for the six months ended 30 September 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.

By Order of the Board
Artfield Group Limited
LIANG Jin You
Chairman

Hong Kong, 8 December 2006

As at the date of this report, 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, 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.