



ARTFIELD GROUP LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code : 1229

The board of directors (the "Board") of Artfield Group Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2007 with the comparative figures for the corresponding period in 2006 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2007

	<i>Note</i>	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
CONTINUING OPERATIONS			
Turnover		72,131	84,271
Cost of sales and services provided		(63,234)	(77,729)
Gross profit		8,897	6,542
Other income		2,429	1,183
Selling and distribution expenses		(4,289)	(5,015)
General and administrative expenses		(17,436)	(18,959)
Finance costs	4	(280)	(1,014)
Gain on disposal of subsidiaries		765	4,558
Loss before taxation	5	(9,914)	(12,705)
Income tax expense	6	(473)	-
Loss for the period from continuing operations		(10,387)	(12,705)
DISCONTINUED OPERATION			
Profit for the period from discontinued operation	7	-	1,218
LOSS FOR THE PERIOD		(10,387)	(11,487)
Attributable to:			
Equity holders of the Company		(10,387)	(11,982)
Minority interests		-	495
		(10,387)	(11,487)
LOSS PER SHARE			
From continuing and discontinued operations	8		
- Basic (HK cents)		(3.41)	(3.95)
- Diluted (HK cents)		N/A	N/A
From continuing operations			
- Basic (HK cents)		(3.41)	(4.35)
- Diluted (HK cents)		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET*As at 30 September 2007*

	<i>Note</i>	As at 30 September 2007 (Unaudited) HK\$'000	As at 31 March 2007 (Audited) HK\$'000
Non-current assets			
Investment properties	9	-	4,220
Property, plant and equipment	10	1,776	14,417
Intangible assets		-	-
Goodwill		-	-
		1,776	18,637
Current assets			
Inventories		11,358	12,024
Trade and bills receivables	11	14,043	18,104
Prepayments, deposits and other receivables		8,966	2,581
Amounts due from related companies		10,258	33,113
Tax recoverable		137	219
Bank balances and cash		39,038	1,857
		83,800	67,898
Current liabilities			
Trade payables	12	12,378	9,817
Other payables and accruals		10,860	13,125
Amounts due to related companies		10,692	-
Tax payable		1	1
Obligations under finance leases		206	346
Bank and other borrowings		6,964	10,382
		41,101	33,671
Net current assets		42,699	34,227
Total assets less current liabilities		44,475	52,864

CONDENSED CONSOLIDATED BALANCE SHEET *(continued)**As at 30 September 2007*

	As at 30 September 2007 (Unaudited) HK\$'000	As at 31 March 2007 (Audited) HK\$'000
	<i>Note</i>	
Capital and reserves		
Share capital	13	30,448
Reserves		21,390
		<hr/>
Equity attributable to equity holders of the Company		44,631
Minority interests		(211)
		<hr/>
		44,420

Non-current liabilities		
Obligations under finance leases		55
Deferred tax liabilities		1,131
		<hr/>
		55

		1,237
		<hr/>
		44,475
		<hr/> <hr/>
		52,864

**CONDENSED CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY***For the six months ended 30 September 2007*

	Attributable to equity holders of the Company													
	Reserve and										Minority interests	Total		
	Share capital	Share premium	Property revaluation reserve	Capital reserve	enterprise expansion funds	Exchange translation reserve	Share options reserve	Accumulated losses	Total					
										Total				
HK\$'000										HK\$'000			HK\$'000	HK\$'000
[Note 1]														
At 1 April 2007	30,448	86,681	7,446	36,053	2,424	(2,610)	-	(108,604)	51,838	(211)	51,627			
Exchange differences arising on translation of overseas operations	-	-	-	-	-	596	-	-	596	-	596			
Disposal of property, plant and equipment	-	-	(9,050)	-	-	-	-	9,050	-	-	-			
Release of deferred tax liabilities upon disposal of property, plant and equipment	-	-	1,604	-	-	-	-	-	1,604	-	1,604			
Loss for the period	-	-	-	-	-	-	-	(10,387)	(10,387)	-	(10,387)			
Total recognized income and expense for the period	-	-	(7,446)	-	-	596	-	(1,337)	(8,187)	-	(8,187)			
Recognition of equity-settled share-based payments	-	-	-	-	-	-	980	-	980	-	980			
At 30 September 2007 (unaudited)	30,448	86,681	-	36,053	2,424	(2,014)	980	(109,941)	44,631	(211)	44,420			

**CONDENSED CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY** *(continued)**For the six months ended 30 September 2007*

	Attributable to equity holders of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Property revaluation reserve HK\$'000	Capital reserve HK\$'000	Reserve and enterprise expansion funds HK\$'000 <i>(Note 1)</i>	Exchange translation reserve HK\$'000	Accumulated losses 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
Exchange differences arising on translation of overseas operations	-	-	-	-	-	793	-	793	-	793
(Loss)/profit for the period	-	-	-	-	-	-	(11,982)	(11,982)	495	(11,487)
Total recognized income and expense for the period	-	-	-	-	-	793	(11,982)	(11,189)	495	(10,694)
Shares allotted and issued for settlement of consideration in respect of acquisition of a subsidiary	4,200	46,200	-	-	-	-	-	50,400	-	50,400
Dividend paid to minority shareholders of a subsidiary	-	-	-	-	-	-	-	-	(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

Note:

- Companies which are established in the People's Republic of China (the "PRC") are required to make appropriations to certain statutory reserves from profit for the period after offsetting accumulated losses from prior years and before profit distribution to equity holders. The percentage to be appropriated to such statutory reserve funds are determined according to the relevant regulations in the PRC or at the discretion of the board of directors of the respective companies. Such statutory reserves cannot be distributed to equity holders of the Company. No transfer of reserve was made for both periods as the PRC subsidiaries were loss making in both periods.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 30 September 2007*

	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Net cash outflow from operating activities	(10,916)	(19,271)
Net cash inflow from investing activities	51,413	8,622
Net cash (outflow)/inflow from financing activities	(306)	8,161
Increase/(decrease) in cash and cash equivalents	40,191	(2,488)
Cash and cash equivalents at beginning of period	(3,467)	(3,387)
Effect of foreign exchange rate changes	(160)	-
Cash and cash equivalents at end of period	36,564	(5,875)
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	39,038	4,728
Bank overdrafts	(2,474)	(10,603)
	36,564	(5,875)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. GENERAL INFORMATION

The Group has undergone a restructuring of its business activities during the year ended 31 March 2007. It disposed of the entire manufacturing operations, and electroplating business, then entered into two supply agreements with related parties in order to maintain a steady source of supply of finished goods for its customers. Following the aforesaid restructuring, the Group's business operations comprise of marketing and trading of clocks and other office related products, lighting products and trading of metals.

These condensed consolidated financial statements for the six months ended 30 September 2007 are unaudited but have been reviewed by the audit committee of the Company and approved for issue by the Board on 28 December 2007.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

These unaudited condensed consolidated financial statements should be read in conjunction with the Company's 2007 annual report. The accounting policies and basis of preparation used in preparing these financial statements are consistent with those used in preparing the Group's consolidated financial statements for the year ended 31 March 2007, except for the adoption of the following new or revised standards, amendments to standards and interpretations, which are mandatory for the financial year ending 31 March 2008:

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
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 above new or revised standards, amendments to standards and interpretations has no material impact on the results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been made.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

The Group has not early adopted the following new or revised standards, amendments to standards and interpretations that have been issued by the HKICPA but are not yet effective:

HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK (IFRIC) – Int 12	Service Concession Arrangements ²
HK (IFRIC) – Int 13	Customer Loyalty Programmes ³
HK (IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ²

¹: *Effective for accounting periods beginning on or after 1 January 2009.*

²: *Effective for accounting periods beginning on or after 1 January 2008.*

³: *Effective for accounting periods beginning on or after 1 July 2008.*

The directors of the Company (the “Directors”) anticipate that the application of these new or revised standards, amendments to standards and interpretations in future periods will have no material impact on the results and financial position of the Group.

3. SEGMENT INFORMATION

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers, and income from provision of electroplating services.

The Group’s primary format for reporting segment information is business segments. The Group’s operating businesses are structured and managed separately according to the nature of their operations, and the products and services they provided. Each of the Group’s business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Descriptions of the business segments are as follows:

- (a) the clocks and other office related products segment engages in manufacturing and marketing of clocks and other office related products;
- (b) the lighting products segment engages in marketing of energy saving lighting products;
- (c) the trading segment engages in trading of metal; and
- (d) the electroplating services segment engages in provision of electroplating services.

The Group has disposed of the electroplating services segment during the year ended 31 March 2007.

3. SEGMENT INFORMATION *(continued)*

The following tables present revenue and results of the Group's business segments for the six months ended 30 September 2007 and 2006:

Six months ended 30 September 2007 (Unaudited)

	Continuing operations				Discontinued operation	Consolidated HK\$'000
	Clocks and other office related products HK\$'000	Lighting products HK\$'000	Trading HK\$'000	Total HK\$'000	Electroplating services HK\$'000	
Segment turnover:						
Sales to external customers	64,898	73	7,160	72,131	-	72,131
Segment results	(5,747)	(109)	107	(5,749)	-	(5,749)
Interest income						318
Unallocated operating income and expenses						(4,968)
Finance costs						(280)
Gain on disposal of subsidiaries						765
Loss before taxation						(9,914)
Income tax expense						(473)
Loss for the period						(10,387)

Six months ended 30 September 2006 (Unaudited)

	Continuing operations				Discontinued operation	Consolidated HK\$'000
	Clocks and other office related products HK\$'000	Lighting products HK\$'000	Trading HK\$'000	Total HK\$'000	Electroplating services HK\$'000	
Segment turnover:						
Sales to external customers	66,166	4,136	13,969	84,271	5,077	89,348
Segment results	(10,397)	(1,114)	(1,155)	(12,666)	1,219	(11,447)
Interest income						33
Unallocated operating income and expenses						(3,616)
Finance costs						(1,014)
Gain on disposal of subsidiaries						4,558
Loss before taxation						(11,486)
Income tax expense						(1)
Loss for the period						(11,487)

4. FINANCE COSTS

	Six months ended 30 September					
	Continuing operations		Discontinued operation		Consolidated	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Interest on:						
Bank loans and overdrafts	266	973	-	-	266	973
Finance leases	14	41	-	-	14	41
	280	1,014	-	-	280	1,014

5. LOSS BEFORE TAXATION

Loss before taxation is arrived at after (crediting)/charging:

	Six months ended 30 September					
	Continuing operations		Discontinued operation		Consolidated	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Interest income	(318)	(33)	-	-	(318)	(33)
Gain on disposal of investment property	(180)	-	-	-	(180)	-
Gain on disposal of property, plant and equipment	(1,002)	-	-	-	(1,002)	-
Amortisation of intangible assets	-	120	-	-	-	120
Amortisation of prepaid lease payments on land use rights	-	43	-	23	-	66
Depreciation	679	4,267	-	93	679	4,360
Equity-settled share-based payments	980	-	-	-	980	-

6. INCOME TAX EXPENSE

	Six months ended 30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax – other jurisdictions	-	1
Deferred tax	473	-
	473	1
Tax expense for continuing operations	473	-
Tax expense for discontinued operation	-	1
	473	1

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in or derived from Hong Kong for both periods. Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of PRC (the new "CIT Law"). The new CIT Law reduces (increases) the corporate income tax rate for domestic enterprises (foreign invested enterprises) from 33% (15% or 24%) to 25% with effect from 1 January 2008. The Group anticipates that the new CIT Law will have no material impact on the results and financial position of the Group.

7. PROFIT FOR THE PERIOD FROM DISCONTINUED OPERATION

In January 2007, the Group entered into an agreement to dispose of certain subsidiaries, which carried out all the Group's electroplating services operations. The disposal was completed on 30 March 2007, on which date control of these subsidiaries was passed to the acquirer. The results of the discontinued operation, which represented the electroplating services segment, are as follows:

	Six months ended 30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Turnover	-	5,077
Cost of sales and services provided	-	(2,272)
Other income	-	51
Selling and distribution expenses	-	(14)
General and administrative expenses	-	(1,623)
	-	1,219
Income tax expense	-	(1)
Profit for the period	-	1,218

8. LOSS PER SHARE

The calculation of basic (loss)/earnings per share attributable to equity holders of the Company is based on the following data:

	Six months ended 30 September 2007 (Unaudited)	2006 (Unaudited)
Loss for the purposes of calculating basic loss per share from continuing operations	(HK\$10,387,000)	(HK\$13,200,000)
Profit for the period from discontinued operation	-	HK\$1,218,000
	(HK\$10,387,000)	(HK\$11,982,000)
Weighted average number of ordinary shares in issue during the period	304,478,584	303,560,551
Basic (loss)/earnings per share		
– from continuing operations	(3.41 HK cents)	(4.35 HK cents)
– from discontinued operation	-	0.40 HK cents
	(3.41 HK cents)	(3.95 HK cents)

Diluted loss per share for the six months ended 30 September 2007 has not been disclosed as the impact of the potential ordinary shares was anti-dilutive.

No diluted loss per share was presented for the six months ended 30 September 2006 as there were no dilutive potential ordinary shares in issue during this period.

9. INVESTMENT PROPERTIES

Investment properties with net book value of HK\$3,860,000 were disposed of during the six months ended 30 September 2007 (2006: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired items of plant and equipment with a cost of approximately HK\$257,000 (2006: HK\$884,000). In addition, property, plant and equipment with a net book value of approximately HK\$9,514,000 (2006: Nil) were disposed of by the Group.

11. TRADE AND BILLS RECEIVABLES

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.

The aging analysis of the Group's trade and bills receivables, net of provision for bad and doubtful debts, is as follows:

	As at 30 September 2007 (Unaudited) HK\$'000	As at 31 March 2007 (Audited) HK\$'000
Within 90 days	11,663	14,274
Between 91 days to 365 days	1,660	3,361
Over 1 year	720	469
	14,043	18,104

The carrying amounts of trade and bills receivables approximate to their fair values.

12. TRADE PAYABLES

The aging analysis of the Group's trade payables is as follows:

	As at 30 September 2007 (Unaudited) HK\$'000	As at 31 March 2007 (Audited) HK\$'000
Within 90 days	9,922	8,375
Between 91 days to 365 days	2,092	1,026
Over 1 year	364	416
	12,378	9,817

The carrying amounts of trade payables approximate to their fair values.

13. SHARE CAPITAL

Ordinary shares of HK\$0.10 each	Number of shares	Amount HK\$'000
AUTHORISED:		
At 31 March 2007 and 30 September 2007	900,000,000	90,000
ISSUED AND FULLY PAID:		
At 31 March 2007 and 30 September 2007	304,478,584	30,448

14. SHARE OPTION SCHEME

Pursuant to the share option scheme of the Company approved at the annual general meeting held on 28 August 2003 (the "Share Option Scheme"), the Board may, at its discretion, offer any eligible participants options to subscribe for shares in the Company (the "Shares") subject to the terms and conditions of the Share Option Scheme. The purpose of the Share Option Scheme is to provide incentives to the eligible participants, and it will expire on 27 August 2013. No share options were granted under the Share Option Scheme before 1 April 2007. During the six months ended 30 September 2007, 9,129,570 share options were granted and no share options were exercised.

As at 30 September 2007, share options to subscribe for 9,129,570 Shares (no share options were granted during the six months ended 30 September 2006) are still outstanding, representing approximately 3.0% of the issued share capital of the Company.

14. SHARE OPTION SCHEME *(continued)*

The following table discloses movements of share options granted under the Share Option Scheme during the period from 1 April 2007 to 30 September 2007:

Date of grant	Exercise period	Exercise price per share	Number of Shares to be issued upon exercise of share option				End of the period
			Beginning of the period	Granted during the period	Exercised during the period	Lapsed during the period	
28 August 2007 (Note 1)	28 August 2007 to 27 August 2017	HK\$1.146	-	6,089,570	-	-	6,089,570
14 September 2007 (Note 2)	14 September 2007 to 13 September 2017	HK\$1.260	-	3,040,000	-	-	3,040,000
			-	9,129,570	-	-	9,129,570
Exercisable at the end of the period							9,129,570
Weighted average exercise price				HK\$1.184	-	-	HK\$1.184

Notes:

1. The closing price of the Shares immediately before the date on which the options were granted was HK\$1.15.
2. The closing price of the Shares immediately before the date on which the options were granted was HK\$1.20.
3. No share options were cancelled under the Share Option Scheme during the period.
4. There is no vesting period for the options granted.

In respect of the share options granted on 28 August 2007 and 14 September 2007, the estimated fair values of the options on the dates of grant are calculated using the Binomial Lattice model. The estimated fair values were ranging from HK\$0.090 to HK\$0.116. The assumptions used are as follows:

Share price	HK\$1.150 to 1.200
Exercise price	HK\$1.146 to 1.260
Expected volatility	20%
Expected option life	1 year
Risk-free interest rate	3.93%
Expected dividend yield	Nil

14. SHARE OPTION SCHEME *(continued)*

The expected volatility is based on the statistical analysis of weekly closing price of the Share over one year immediately preceding the date of grant. Expected dividends are based on historical dividends. Risk-free interest rate is based on market yield of Exchange Fund Notes with a term similar to the expected option life. During the period, the Group recognised total expense of HK\$980,000 (2006: Nil) in relation to equity-settled share-based payment transactions.

The Binomial Lattice model is to estimate the market value of options by incorporating the effects from factors including risk-free interest rate and annualise stock price volatility. The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The value of an option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of an option.

15. MATERIAL RELATED PARTY TRANSACTIONS

- (a) Pursuant to the supply agreements dated 29 January 2007, the net purchase of the Group in respect of (i) clocks, timepieces, gift and premium products; (ii) wooden products; and (iii) electroplating services from related parties, which were determined on normal commercial terms, were amounted to HK\$23,013,000, HK\$7,180,000 and HK\$626,000 during the six months ended 30 September 2007 respectively (2006: Nil).
- (b) As at 30 September 2007, the Group had a non-trade receivable from related companies of HK\$10,258,000 (31 March 2007: HK\$33,113,000) and had a trade payable to related companies of HK\$10,692,000 (31 March 2007: Nil). This balance is unsecured, interest free and repayable on demand.
- (c) The remuneration of key management personnel paid for salaries and retirement benefits pursuant to the mandatory provident fund scheme amounted to HK\$1,380,000 and HK\$18,000 respectively (2006: HK\$1,380,000 and HK\$18,000 respectively).

16. POST BALANCE SHEET EVENT

On 24 August 2007, the Company entered into an option subscription agreement with an independent third party (the "Grantee"), pursuant to which an aggregate of 60,895,000 share options at an exercise price of HK\$1.165 per share were granted to the Grantee at an option fee of HK\$608,950. This transaction was completed on 31 October 2007.

17. COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform with current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group recorded a turnover of HK\$72,131,000 during the six months ended 30 September 2007, decreased by HK\$12,140,000 when compared with same period last year. Loss for the period attributable to equity holders of the Company was HK\$10,387,000 (2006: HK\$11,982,000).

The performance of each of the Group's businesses for the six months ended 30 September 2007 are set out below:

Clocks and Other Office Related Products Business

The Group disposed of the manufacturing operation of this segment in March 2007. Following the disposal, the Group carries on the clock and other office related products business on trading basis.

This segment achieved a turnover of HK\$64,898,000 during the six months ended 30 September 2007, decreased by HK\$1,268,000 or approximately 2% when compared with same period last year. This segment reported a loss of HK\$5,747,000 during the period under review (2006: HK\$10,397,000).

Lighting Products Business

Following disposal of the manufacturing operation of the lighting products business in June 2006, the Group carries on the lighting products business on trading basis mainly through its overseas offices.

The lighting products segment reported a turnover of HK\$73,000 and a segment loss of HK\$109,000 during the six months ended 30 September 2007 as compared with a turnover of HK\$4,136,000 and a segment loss of HK\$1,114,000 in the same period last year.

Trading Business

The trading segment mainly engages in trading of metal in the PRC market. During the period under review, this segment faced severe competition in the market place and the continuing tightening of macro-economic policy in the PRC. This segment reported a turnover of HK\$7,160,000 with a segment profit of HK\$107,000 during the six months ended 30 September 2007 as compared with a turnover of HK\$13,969,000 and a segment loss of HK\$1,155,000 in the same period last year.

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

PROSPECTS

As stated in the annual report of the Company for the year ended 31 March 2007, the Group will endeavor to achieve a break-even in the clocks and other office related products business. During the six months ended 30 September 2007, the Group achieved an approximately 45% decrease in the segment loss of the clocks and other office related products business while the segment turnover was just slightly decreased by approximately 2% when compared with the results of the same period last year. The Group will continue this strategy and 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 near future. The Group will continue to streamline 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 Shares.

LIQUIDITY AND FINANCIAL RESOURCES

During the period under review, the Group disposed of its entire interest in investment properties, and leasehold land and buildings. Part of the proceeds received was used to repay borrowings of the Group and the balance as working capital. As at 30 September 2007, the Group had working capital of approximately HK\$43 million (31 March 2007: HK\$34 million), and its current ratio, being the proportion of total current assets against total current liabilities, was 2.0 times (31 March 2007: 2.0 times). The Group continued to maintain a strong financial position. At 30 September 2007, the Group had cash and bank balances of approximately HK\$39 million (31 March 2007: approximately HK\$2 million).

As at 30 September 2007, total bank and other borrowings amounted to HK\$6,964,000 (31 March 2007: HK\$10,382,000), comprising secured bank loans and overdrafts of HK\$2,555,000 (31 March 2007: HK\$5,346,000), unsecured bank loans and overdrafts of HK\$2,903,000 (31 March 2007: HK\$5,036,000), and unsecured other borrowings of HK\$1,506,000 (31 March 2007: Nil), which were denominated in Hong Kong dollars or British pounds. The amount of borrowings denominated in British pounds was approximately HK\$1.5 million. The maturity profile of the Group's bank and other borrowings as at 30 September 2007 is analysed as follows:

	As at 30 September 2007 (Unaudited)	As at 31 March 2007 (Audited)
Within one year	99.2%	99.0%
In the second year	0.8%	0.9%
In the third to fifth years, inclusive	-	0.1%
Total	100.0%	100.0%

The gearing ratio of the Group was 16.2% (31 March 2007: 20.9%), calculated on the basis of the Group's total borrowings over equity attributable to equity holders of the Company.

The Group monitors the relative foreign exchange position of its assets and liabilities to minimize foreign exchange risk. When appropriate, hedging instruments including forward contracts and currency loans would be used to manage the foreign exchange exposure.

The Group finances its business with internally generated cash flows and available banking facilities. Financing facilities used by the Group are mainly trade finance, overdraft and revolving credit facilities provided by banks in Hong Kong and the United Kingdom. Taking into account the financial resources available, the Group believes it has sufficient working capital to meet its present requirements.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

There was no material acquisition or disposal of subsidiaries during the six months ended 30 September 2007.

CHARGE ON ASSETS

As at 30 September 2007, fund held of approximately HK\$3.0 million was pledged to a bank to secure general banking facilities granted to the Group. The outstanding loan balance was approximately HK\$2.6 million as at 30 September 2007.

CAPITAL STRUCTURE

There was no change in the capital structure of the Company during the six months ended 30 September 2007.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

The Group did not have any significant contingent liabilities and capital commitments as at 30 September 2007.

HUMAN RESOURCES

The Group had approximately 116 employees as at 30 September 2007 (31 March 2007: 114).

Apart from basic remuneration, the Group also provides other employee benefits including medical scheme and provident fund schemes. In addition, the Company has adopted a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2007 (2006: Nil).

DISCLOSURE OF INTERESTS

Directors' and chief executives' interests and short positions

As at 30 September 2007, the interests and short positions of the Directors and chief executives of the Company and their respective associates in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have taken under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

Long positions in underlying shares of the Company

Name of director	Nature of interest	Number of underlying shares pursuant to share options	Approximate percentage of issued share capital
Mr. Leung Heung Ying, Alvin	Personal interest	3,044,785	1.00
Mr. Lo Chi Ho, William	Personal interest	3,040,000	1.00

Note: Details of share options granted to Directors are hereinafter stated under the heading of "Share option scheme".

Save for those disclosed above, as at 30 September 2007, none of the Directors or chief executives of the Company or their respective associates, had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have taken under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Directors' rights to acquire shares or debentures

Save for those disclosed under the headings "Directors' and chief executives' interests and short positions" above and "Share option scheme" below, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors (including their spouses and children under the age of 18) to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Share option scheme

Details of the movements of share options granted under the Share Option Scheme during the period from 1 April 2007 to 30 September 2007 are set out below:

Name or category of participants	Date of grant	Exercise period	Exercise price per share	Number of share options				End of the period
				Beginning of the period	Granted during the period	Exercised during the period	Lapsed during the period	
Directors								
Mr. Leung Heung Ying, Alvin (Note 1)	28 August 2007	28 August 2007 to 27 August 2017	HK\$1.146	-	3,044,785	-	-	3,044,785
Mr. Lo Chi Ho, William (Note 2)	14 September 2007	14 September 2007 to 13 September 2017	HK\$1.260	-	3,040,000	-	-	3,040,000
Other								
Other (Note 1)	28 August 2007	28 August 2007 to 27 August 2017	HK\$1.146	-	3,044,785	-	-	3,044,785
				-	9,129,570	-	-	9,129,570

Notes:

1. The closing price of the Shares immediately before the date on which the options were granted was HK\$1.15.
2. The closing price of the Shares immediately before the date on which the options were granted was HK\$1.20.
3. No share options were cancelled under the Share Option Scheme during the period.

As at 30 September 2007, the Company had 9,129,570 share options outstanding under the Share Option Scheme representing approximately 3.0% of the Shares in issue. Exercise in full of the share options would, under the present capital structure of the Company, result in the issue of 9,129,570 new Shares and additional share capital of HK\$912,957 and share premium of HK\$9,896,090 (before issue expenses).

Substantial shareholders' interests

As at 30 September 2007, the following persons (other than Directors or chief executives 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 under Section 336 of the SFO:

Long positions in Shares or underlying shares of the Company

Name of shareholder	<i>Note</i>	Nature of interest	Number of Shares or underlying shares	Approximate percentage of issued share capital
Marigold Worldwide Group Limited ("Marigold")	1	Beneficial owner	119,184,300	39.14
Mr. Yam Tak Cheung ("Mr. Yam")	1	Interests of controlled corporation	119,184,300	39.14
Mr. Wong Man Hin, Charles ("Mr. Wong")	2	Beneficial owner	60,895,000	20.00

Notes:

1. *These 119,184,300 Shares were held by Marigold, a company incorporated in the British Virgin Islands. Mr. Yam was deemed to be interested in these Shares through his 100% interest in Marigold.*
2. *Mr. Wong was deemed to be interested in 60,895,000 Shares pursuant to the option subscription agreement dated 24 August 2007, completion of which is subject to the fulfillment of certain conditions set out in the agreement. All the conditions have been fulfilled subsequent to the balance sheet date of 30 September 2007.*

Save as disclosed above, the Directors are not aware of any other persons who, as at 30 September 2007, had interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2007.

CORPORATE GOVERNANCE

To the best knowledge and belief of the Directors, the Company has complied with the applicable code provisions of the Code on 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") during the six months ended 30 September 2007, except for the deviations as reported and discussed in the Corporate Governance Report as set forth in the Company's 2007 Annual Report and the update on the deviation of Code Provision A.2.1 as stated below:

Code Provision A.2.1

Code provision A.2.1 of the Code stipulates that the roles of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. Following the resignation of Mr. Liang Jin You as Chairman and Managing Director of the Company on 4 July 2007, the functions of chairman were performed by the Managing Director, Mr. Leung Heung Ying, Alvin. The functions of a CEO were performed by the Managing Director in conjunction with the other Executive Directors. The Company does not propose to comply with code provision A.2.1 for the time being. The Board believes that this structure spreads the workload that would otherwise be borne by an individual CEO, enhances communications and speedups the decision making process across the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors 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 2007.

AUDIT COMMITTEE

The audit committee of the Company (the "Committee") comprises three independent non-executive directors, namely Mr. Lo Ming Chi, Charles, Mr. Orr Joseph Wai Shing and Mr. Wong Ngao San, Marcus. The Committee has reviewed together with management the accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters including a review of the unaudited condensed consolidated financial statements of the Company for the six months ended 30 September 2007.

By order of the Board
LEUNG Heung Ying, Alvin
Managing Director

Hong Kong, 28 December 2007

As at the date of this report, the Board comprises Mr. Leung Heung Ying, Alvin (Managing Director), Ms. Chung Oi Ling, Stella and Mr. Lo Chi Ho, William as executive director and Mr. Lo Ming Chi, Charles, Mr. Orr Joseph Wai Shing and Mr. Wong Ngao San, Marcus as independent non-executive directors.