



ARTFIELD GROUP LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 1229

08

Interim Report

The board of directors (the "Board") of Artfield Group Limited (the "Company") announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2008 together with the comparative figures for the corresponding period in 2007 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2008

		Six months ended 30 September	
	<i>Notes</i>	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
CONTINUING OPERATIONS			
Turnover		11,346	64,898
Cost of sales and services provided		(11,595)	(56,165)
Gross (loss)/profit		(249)	8,733
Other income		2,000	2,429
Selling and distribution expenses		(1,598)	(4,257)
General and administrative expenses		(14,757)	(17,302)
Finance costs	5	-	(280)
Gain on disposal of subsidiaries		-	765
Loss before taxation	6	(14,604)	(9,912)
Income tax expense	7	(51)	(473)
Loss for the period from continuing operations		(14,655)	(10,385)
DISCONTINUED OPERATION			
Loss for the period from discontinued operation	8	(5)	(2)
LOSS FOR THE PERIOD		(14,660)	(10,387)
Attributable to:			
Equity holders of the Company		(14,660)	(10,387)
Minority interests		-	-
		(14,660)	(10,387)
LOSS PER SHARE			
From continuing and discontinued operations	9		
Basic (HK cent)		(1.92)	(3.41)
Diluted (HK cent)		N/A	N/A
From continuing operations			
Basic (HK cent)		(1.92)	(3.41)
Diluted (HK cent)		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2008

	<i>Notes</i>	As at 30 September 2008 (Unaudited) HK\$'000	As at 31 March 2008 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	10	<u>207</u>	<u>600</u>
		<u>207</u>	<u>600</u>
Current assets			
Inventories		3,947	3,491
Trade and other receivables	11	3,918	16,099
Tax recoverable		125	127
Bank balances and cash		<u>380,164</u>	<u>383,413</u>
		<u>388,154</u>	<u>403,130</u>
Current liabilities			
Trade and other payables	12	11,356	21,042
Amount due to a related company		2,745	260
Tax payable		65	43
Obligations under finance leases – due within one year		–	3
Bank borrowings		<u>831</u>	<u>2,984</u>
		<u>14,997</u>	<u>24,332</u>
Net current assets		<u>373,157</u>	<u>378,798</u>
Total assets less current liabilities		<u>373,364</u>	<u>379,398</u>
Capital and reserves			
Share capital	13	76,537	76,537
Reserves		<u>151,590</u>	<u>157,624</u>
Equity attributable to equity holders of the Company		228,127	234,161
Non-current liabilities			
Convertible loan notes		<u>145,237</u>	<u>145,237</u>
		<u>373,364</u>	<u>145,237</u>
		<u>373,364</u>	<u>379,398</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2008

	Attributable to equity holders of the Company										
	Share capital	Share premium	Convertible loan notes reserve	Share options reserve	Capital reserve	Reserve and enterprise expansion funds (Note)	Exchange translation reserve	Accumulated losses	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2008	76,537	191,534	55,495	726	36,053	2,424	(9,061)	(119,547)	234,161	-	234,161
Exchange difference arising on translation of overseas operation	-	-	-	-	-	-	8,626	-	8,626	-	8,626
Loss for the period	-	-	-	-	-	-	-	(14,660)	(14,660)	-	(14,660)
Total recognized income and expense for the period	-	-	-	-	-	-	8,626	(14,660)	(6,034)	-	(6,034)
At 30 September 2008 (unaudited)	<u>76,537</u>	<u>191,534</u>	<u>55,495</u>	<u>726</u>	<u>36,053</u>	<u>2,424</u>	<u>(435)</u>	<u>(134,207)</u>	<u>228,127</u>	<u>-</u>	<u>228,127</u>

For the six months ended 30 September 2007

	Attributable to equity holders of the Company										
	Share capital	Share premium	Share Options reserve	Property revaluation reserve	Capital reserve	Reserve and enterprise expansion funds (Note)	Exchange translation reserve	Accumulated losses	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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	980	-	36,053	2,424	(2,014)	(109,941)	44,631	(211)	44,420

Note: Companies which are established in the Peoples' 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 period.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2008

	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Net cash outflow from operating activities	(2,382)	(10,916)
Net cash inflow from investing activities	933	51,413
Net cash outflow from financing activities	(1,451)	(306)
(Decrease)/increase in cash and cash equivalents	(2,900)	40,191
Cash and cash equivalents at beginning of period	382,708	(3,467)
Effect of foreign exchange rate changes	356	(160)
Cash and cash equivalents at end of period	380,164	36,564
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	380,164	39,038
Bank overdrafts	-	(2,474)
	380,164	36,564

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 September 2008

1. General Information

The Group has undergone a restructuring of its business activities during the period. On 11 July 2008, the Group entered into the services agreement (“Services Agreement”) with China Sonangol International Limited (“China Sonangol”), the holding company of our controlling shareholder, pursuant to which the Group has agree 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.

For the period of 18 months commenced from 1 August 2008, the Group will earn a monthly income of HK\$500,000 by rendering the services to China Sonangol pursuant to the Services Agreement. In addition, the Group ceased the trading of metal in the PRC market during the period.

2. Approval of the Interim Financial Statements

These condensed consolidated financial statements for the six months ended 30 September 2008 are unaudited but have been reviewed by the audit committee of the Company and approved for issue by the Board on 16 December 2008.

3. Basis of Preparation and Accounting Policies

This condensed consolidated interim financial information for the period ended 30 September 2008 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, ‘Interim financial reporting’. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for year ended 31 March 2008, which has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

3. Basis of Preparation and Accounting Policies *(Continued)*

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 March 2008. The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 April 2008 but are not expected to have any impact on the Group's financial statements:

HK(IFRIC) – Int 12, 'Service concession arrangements'

HK(IFRIC) – Int 14, 'HKAS 19 – the limit on a defined benefit asset, minimum funding requirements and their interaction'

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 April 2008 and have not been early adopted.

HKFRS 8, 'Operating segments', effective for annual periods beginning on or after 1 January 2009.

HKAS 23 (Revised), 'Borrowing costs', effective for annual periods beginning on or after 1 January 2009.

HKFRS 2 (Amendment) 'Share-based payment', effective for annual periods beginning on or after 1 January 2009.

HKFRS 3 (Revised), 'Business combinations' and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investment in associate' and HKAS 31, 'Interests in joint ventures', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

HKAS 1 (Revised), 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009.

HKAS 32 (Amendment), 'Financial instruments: presentation', and consequential amendments to HKAS 1, 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009.

3. Basis of Preparation and Accounting Policies *(Continued)*

HKAS 39 and HKFRS 7 (Amendment), 'Reclassification of financial assets', effective for annual periods beginning on or after 1 October 2008.

HK(IFRIC) – Int 13, 'Customer loyalty programmes', effective for annual periods beginning on or after 1 July 2008.

HK(IFRIC) – Int 15, 'Agreements for the construction of real estate', effective for annual periods on or after 1 January 2009.

HK(IFRIC) – Int 16, 'Hedges of a net investment in a foreign operation', effective for annual periods beginning on or after 1 October 2008.

The Group is in the process of making an assessment on the impact of these new/ revised standards are not expected to result in substantial changes to the Group's accounting policies or have material impact on the Group's financial statements.

4. Segment Information

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) China Sonangol shall pay the Group a services fee of HK\$500,000 per month in cash. The total services fee payable for the period of 18 months is HK\$9,000,000;
- (b) the clocks and other office related products segment engages in the manufacturing and marketing of clocks and other office related accessories; and
- (c) the Group has ceased the operation of marketing of lighting products and trading of metals during the period ended 30 September 2008.

4. Segment Information *(Continued)*

The following tables present revenue and results of the Group's business segments for the six months ended 30 September 2008 and 2007.

Six months ended 30 September 2008 (Unaudited)

	Continuing operations			Discontinued operations			Consolidated HK\$'000
	Provision for management service HK\$'000	Clocks and other office related products HK\$'000	Total HK\$'000	Lighting products HK\$'000	Trading HK\$'000	Total HK\$'000	
Segment turnover:							
Management service fees	1,000	-	1,000	-	-	-	1,000
Sales to external customers	-	10,346	10,346	-	-	-	10,346
Segment results	760	(7,258)	(6,498)	(4)	(1)	(5)	(6,503)
Interest income							999
Unallocated operating income and expenses							(9,105)
Finance costs							-
Gain on disposal of subsidiaries							-
Loss before taxation							(14,609)
Income tax expense							(51)
Loss for the period							(14,660)

4. Segment Information *(Continued)*

Six months ended 30 September 2007 (Unaudited)

	Continuing	Discontinued operations			Consolidated
	operations				
	Clocks and other office related products	Lighting products	Trading	Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment turnover :					
Sales to external customers	<u>64,898</u>	<u>73</u>	<u>7,160</u>	<u>7,233</u>	<u>72,131</u>
Segment results	<u>(5,747)</u>	<u>(109)</u>	<u>107</u>	<u>(2)</u>	<u>(5,749)</u>
Interest income					318
Unallocated operating income and expenses					(4,968)
Finance costs					(280)
Gain on disposal of subsidiaries					<u>765</u>
Loss before taxation					(9,914)
Income tax expense					<u>(473)</u>
Loss for the period					<u>(10,387)</u>

5. Finance Costs

	Six months ended 30 September					
	Continuing operations		Discontinued operation		Total	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Interest on:						
Bank loans and overdrafts	-	266	-	-	-	266
Finance leases	-	14	-	-	-	14
	<u>-</u>	<u>280</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>280</u>

6. Loss Before Taxation

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

	Six months ended 30 September					
	Continuing operations		Discontinued operation		Total	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Interest income	(999)	(318)	-	-	(999)	(318)
Gain on disposal of investment property	-	(180)	-	-	-	(180)
Gain on disposal of property, plant and equipment	-	(1,002)	-	-	-	(1,002)
Depreciation	453	594	-	85	453	679
Equity-settled share-based payments	-	980	-	-	-	980
	<u>-</u>	<u>980</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>980</u>

7. Income Tax Expense

	Six months ended 30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Current tax – other jurisdictions	51	–
Deferred tax	–	473
	51	473
Tax expense for continuing operations	51	473
	51	473

Hong Kong Profit Tax is calculated at 17.5% (2007: 17.5%) of the estimated assessable profit 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 PRC 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 5 years after 1 January 2008.

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

8. Loss for the period from Discontinued Operation

The Group has ceased the operation of marketing of lighting products and trading of metals during the period ended 30 September 2008.

	Six months ended 30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Turnover	–	7,233
Cost of sales and services provided	–	(7,069)
Selling and distribution expenses	–	(32)
General and administrative expenses	(5)	(134)
	(5)	(2)
Income tax expenses	–	–
Loss for the period	(5)	(2)

9. Loss Per Share

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

	Six months ended 30 September	
	2008 (Unaudited)	2007 (Unaudited)
Loss for the purposes of calculating basic loss per share from continuing operations	(HK\$14,660,000)	(HK\$10,387,000)
Loss for the period attributable to equity holders of the Company	(HK\$14,660,000)	(HK\$10,387,000)
Weighted average number of ordinary shares in issue during the period	765,373,584	304,478,584
Basic loss per share		
– from continuing operations	(1.92 HK cents)	(3.41 HK cents)
– from discontinued operations	–	–
	(1.92 HK cents)	(3.41 HK cents)

9. Loss Per Share *(Continued)*

Diluted loss per share for the six months ended 30 September 2008 has not been disclosed as the impact of the potential ordinary shares was anti-dilutive.

10. Property, Plant and Equipment

During the period, the group acquired items of plant and equipment with a cost of approximately HK\$66,088 (2007: HK\$257,000). In addition, property, plant and equipment with a net book value of HK\$ Nil (2007: HK\$9,514,000) was disposed of by the Group.

11. Trade and Other 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 ageing analysis of the Group's trade and other receivables, net of provision for bad and doubtful debts, is as follows:

	As at 30 September 2008 (Unaudited) HK\$'000	As at 31 March 2008 (Audited) HK\$'000
Within 90 days	532	9,620
Between 91 days to 365 days	1,193	1,002
Over 1 year	887	3,312
	<hr/>	<hr/>
Trade Receivables	2,612	13,934
Prepayments, deposits and other receivables	1,306	2,165
	<hr/>	<hr/>
	3,918	16,099
	<hr/>	<hr/>

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

12. Trade and Other Payables

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

	As at 30 September 2008 (Unaudited) HK\$'000	As at 31 March 2008 (Audited) HK\$'000
Within 90 days	1,143	6,958
Between 91 days to 365 days	1,848	1,112
Over 1 year	430	635
	<hr/>	<hr/>
Trade payables	3,421	8,705
Other payables and accruals	7,935	12,337
	<hr/>	<hr/>
	11,356	21,042

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 2008 and 30 September 2008	<u>5,000,000,000</u>	<u>500,000</u>
ISSUED AND FULLY PAID:		
At 31 March 2008 and 30 September 2008	<u>765,373,584</u>	<u>76,537</u>

14. Share Option Scheme

Movement of the Group's share options held by director during the six months ended 30 September 2008 is:

Grantee	Date of grant	Outstanding	Granted	Cancelled	Outstanding	Exercised price per share
		at 31 March 2008	during the period	during the period	at 30 September 2008	
Former director: Mr. Leung Heung Ying, Alvin (appointed on 14 June 2007 and resigned on 11 April 2008)	28 August 2007	3,044,785	-	(3,044,785)	-	HK\$1.146
		3,044,785	-	(3,044,785)	-	

Note: The share options were cancelled upon Mr. Leung Heung Ying, Alvin accept the unconditional mandatory general cash offer by Ascent Goal Investments Limited ("Ascent Goal") during the six months ended 30 September 2008 as detailed in the Company's circular dated 20 March 2008.

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\$7,297,000, HK\$Nil and HK\$Nil during the six months ended 30 September 2008 respectively (2007: HK\$23,013,000, HK\$7,180,000 and HK\$626,000 respectively).

15. Material Related Party Transactions *(Continued)*

- (b) As at 30 September 2008, the Group had a trade payable to related companies of HK\$2,745,000 (31 March 2008: HK\$260,000). The 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\$1,066,761 and HK\$12,000 respectively (2007: HK\$1,380,000 and HK\$18,000 respectively).
- (d) Pursuant to the Services Agreement dated 11 July, 2008, the management fee incomes received were amount to HK\$1,000,000 (2007: HK\$Nil).

16. 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\$11,346,000 during the six months ended 30 September 2008, decreased by HK\$60,785,000 when compared with the same period last year. Loss for the period attributable to equity holders of the Company was HK\$14,660,000 (2007: HK\$ 10,387,000).

The performance of each of the Group's businesses for the six months ended 30 September 2008 are set out below:

Clock and Other Office Related Products Business

This segment achieved a turnover of HK\$10,346,000 during the six months ended 30 September 2008, decreased by HK\$54,552,000 or approximately 84% when compared with the same period last year. This segment reported a loss of HK\$7,258,000 during the period under review (2007: HK\$5,747,000).

Management Fee Income

This segment achieved a turnover of HK\$1,000,000 during the six months ended 30 September 2008 (2007: HK\$Nil).

On 11 July 2008, the Group entered into the Services Agreement with China Sonangol pursuant to which the Group has agreed to provide, among others, certain marketing analysis, news clipping, preparation of sales report, invoicing and preparation of management accounts services on oil to China Sonangol. China Sonangol shall pay to the Group a services fee of HK\$500,000 per month in cash.

Trading of Metal and Lighting Business

The Group has ceased the operation of trading of metals and lighting during the period ended 30 September 2008.

PROSPECTS

As stated in the annual report of the Group for the year ended 31 March 2008, the Group will actively seek for investment opportunities in order to broaden and expand the business and operations of the Group, particularly in natural resources and/or PRC properties area. In view of the current financial environment, the process in negotiating new acquisition projects had been severely affected by the difficulty in attaining mutually agreed project value. Nevertheless, the Group is still confident to reach a mutually beneficial understanding with identified project in the near future.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2008, the Group had working capital of approximately HK\$373 million (31 March 2008: HK\$379 million), and its current ratio, being the proportion of total current assets against total current liabilities, was 26 times (31 March 2008: 17 times). The Group continued to maintain a strong financial position. At 30 September 2008, the Group had cash and bank balances of approximately HK\$380 million (31 March 2008: approximately HK\$383 million).

As at 30 September 2008, total bank and other borrowing amounted to HK\$831,000 (31 March 2008: HK\$2,984,000), comprising secured bank loans and overdrafts of HK\$831,000 (31 March 2008: HK\$1,338,000), unsecured bank loans and overdrafts of HK\$Nil (31 March 2008: HK\$1,646,000). The maturity profile of the Group's bank and other borrowings as at 30 September 2008 is analysed as follows:

	As at 30 September 2008 (Unaudited)	As at 31 March 2008 (Audited)
Within one year	100.0%	100.0%
In the second year	—	—
In the third to fifth years, inclusive	—	—
Total	100.0%	100.0%

The gearing ratio of the Group was 64.1% (31 March 2008: 63.3%), calculated on the basis of the Group's total borrowings over equity attributable to equity holders of the Company.

On 14 March 2008, the Group issued zero-coupon convertible loan notes with an aggregate principal amount of HK\$200,000,000 to Ascent Goal simultaneously upon completion of the issue and allotment of 400,000,000 ordinary shares of HK\$0.1 each. The notes are denominated in HK\$ and entitle the holders to convert them into ordinary shares of the Group at any time between the date of issue of the notes and their settlement date on 13 March 2011 in multiples of HK\$1,000,000 at a conversion price HK\$0.20 (subject to adjustments) per share. The shares to be issued and allotted upon conversions shall rank pari passu in all respects among themselves and with all other ordinary shares in issue by the Group on the date of such allotment and issue.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

There was no material acquisition or disposal of subsidiaries during the six months ended 30 September 2008.

CHARGE ON ASSETS

As at 30 September 2008, except for HK\$1,763,000 of trade receivable was pledged to secure the borrowing (2007: HK\$3,444,000), no assets or fund of the Group were pledged to secure general banking facilities granted to the Group (2007: HK\$3,000,000).

CAPITAL STRUCTURE

There was no change in the capital structure of the Company during the six months ended 30 September 2008.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

The Group did not have any significant contingent liabilities and capital commitments as at 30 September 2008.

HUMAN RESOURCES

The Group had approximately 79 employees as at 30 September 2008 (31 March 2008: 110).

Apart from the 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 2008 (2007: Nil).

DISCLOSURE OF INTERESTS

Directors' and chief executives' interests and short positions

As at 30 September 2008, 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:

Interest in an associated corporation of the Company

Name of director	<i>Note</i>	Name of associated corporation	Capacity	Number of shares interested	Approximate percentage of the issued share capital
Ms. Lo Fong Hung	1	New Bright International Development Limited	Interests of a controlled corporation	3,000 (L)	30%
Mr. Wang Xiangfei	2	New Bright International Development Limited	Interests of a controlled corporation	3,000 (L)	30%

(L) *denotes as long position*

Notes:

1. *Ms. Lo Fong Hung ("Ms. Lo") is interested in 3,000 shares in New Bright International Development Limited ("New Bright"), representing 30% of the issued share capital of New Bright, which currently owns 70% shareholding interests in China Sonangol. China Sonangol is the holding company of Ascent Goal, the controlling shareholder of the Company.*
2. *Mr. Wang Xiangfei is the husband of Ms. Lo and is deemed to be interested in 3,000 shares of New Bright under the SFO.*
3. *Ms. Lo, an executive director, owns 30% of the issued share capital of New Bright which in turn is interested in 70% of China Sonangol. China Sonangol is the holding company of Ascent Goal. Thus, Ms. Lo has an attributable interest in 569,616,589 shares of the Company and a HK\$200,000,000 convertible bond giving rise to an interest in 1,000,000,000 underlying shares of the Company.*

Save for those disclosed above, as at 30 September 2008, 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 of the Company (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

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 directors of the Company (the "Directors") and eligible participants options to subscribe for shares in the Company subject to the terms and conditions of the Share Option Scheme. The purpose of the Share Option Scheme is to provide incentives to Directors and eligible participants, and it will expire on 27 August 2013.

As at 30 September 2007, the Company had 9,129,570 share options outstanding under the Share Option Scheme. 6,084,785 share options were cancelled during the financial year ended 31 March 2008 and 3,044,785 share options were cancelled during the six months ended 30 September 2008. No share options were outstanding under the Share Option Scheme as at 30 September 2008.

Details of the movements of share options granted under the Share Option Scheme during the period from 1 April 2008 to 30 September 2008 are set out below:

Name of participant	Date of grant	Exercise period	Exercised price per share (HK\$)	Number of share options					
				Beginning of the period	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	End of the period
Mr. Leung Heung Ying, Alvin (Former director resigned on 11 April 2008)	28 August 2007	28 August 2007 to 27 August 2017	1.146	3,044,785	-	-	-	3,044,785	-
				3,044,785	-	-	-	3,044,785	-

Notes:

1. The share options were cancelled during the six months ended 30 September 2008 upon the acceptance by Mr. Leung Heung Ying, Alvin of the unconditional mandatory general cash offer by Ascent Goal as detailed in the Company's circular dated 20 March 2008.
2. No share options were granted under the Share Option Scheme during the six months ended 30 September 2008.

Substantial shareholders' interests

As at 30 September 2008, the following persons (other than the 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 the issued share capital
Ascent Goal	1	Beneficial owner	1,569,616,589	205.08%
China Sonangol	2	Interests of controlled corporation	1,569,616,589	205.08%
New Bright	2	Interests of controlled corporation	1,569,616,589	205.08%
Ms. Fung Yuen Kwan, Veronica	3	Interests of controlled corporation	1,569,616,589	205.08%
Africa Israel Financial Assets and Strategies Ltd		Beneficial owner	45,000,000	5.88%
Africa Israel Investments Ltd		Interests of controlled corporation	45,000,000	5.88%
Mr. Leviev Lev		Beneficial owner	1,000,000	0.13%
		Interests of controlled corporation	74,000,000	9.67%

Notes:

1. *These 1,569,616,589 shares are owned by Ascent Goal directly as beneficial owner. It includes interests in 569,616,589 shares and HK\$200,000,000 convertible bond giving rise to an interest in 1,000,000,000 underlying shares.*

Based on the existing issued share capital of the Company of 765,373,584 shares. The 569,616,589 shares and the 1,000,000,000 underlying shares under the HK\$200,000,000 convertible bond represent 74.42% and 130.66% of the existing issued share capital of the Company respectively, thus the total of 569,616,589 Shares and 1,000,000,000 underlying Shares represents 205.08% of the existing issued share capital of the Company.

2. *Since Ascent Goal is a wholly-owned subsidiary of China Sonangol which is beneficially owned as to 70% by New Bright, the interests of Ascent Goal is deemed to be the interests of China Sonangol and in turn the interests of New Bright under the SFO.*
3. *Ms. Fung Yuen Kwan, Veronica is deemed to have interests in the shares and underlying shares through her 70% interests in New Bright.*

Save as disclosed above, the Directors are not aware of any other persons who, as at 30 September 2008, 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 purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2008.

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 2008, except for the code provision A.2.1 and E.1.2 which are summarised 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. The Company did not have any officer with CEO title and subsequent to the resignation of Mr. Liang Jin You on 4 July 2007, no chairman was appointed.

Mr. Liang Jin You was the Chairman and Managing Director of the Company during the period from 1 April, 2007 to 3 July 2007, who also carried out the responsibility of CEO in such period. Subsequent to the resignation of Mr. Liang Jin You, 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 of the Company.

Ms. Lo Fong Hung was appointed as an executive director of the Company on 25 March 2008 and was further appointed as the Chairman and Managing Director of the Company with effect from 10 April 2008. The duties of CEO were carried out by Ms. Lo Fong Hung 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.

Code provision E.1.2

Code provision E.1.2 of the code provides that the Chairman of the Board shall attend the annual general meeting of the Company. Due to other business commitment, Ms. Lo Fong Hung, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 2 September 2008.

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 2008.

AUDIT COMMITTEE

The audit committee of the Company (the "Committee") comprises three independent non-executive directors, namely Mr. Lam Ka Wai, Graham, Mr. Wong Man Hin, Raymond and Mr. Chan Yiu Fai, Youdey. The Committee has reviewed together with the 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 2008.

By Order of the Board
Kwan Man Fai
Executive Director

Hong Kong, 16 December 2008

As at the date of this report, 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. Lam Ka Wai, Graham, Mr. Wong Man Hin, Raymond and Mr. Chan Yiu Fai, Youdey.