THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Composite Offer Document or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or otherwise transferred all your shares in Artfield Group Limited, you should at once hand the Composite Offer Document and the accompanying Forms of Acceptance to the purchaser(s) or transferee(s) or to a licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s). The Composite Offer Document should be read in conjunction with the accompanying Forms of Acceptance, the contents of which form part of the terms of the Offers contained herein.

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in the Composite Offer Document.

Ascent Goal Investments Limited

(Incorporated in the British Virgin Islands with limited liability)

ARTFIELD GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1229)

COMPOSITE OFFER DOCUMENT RELATING TO UNCONDITIONAL MANDATORY CASH OFFERS BY

Baron Capital Limited

FOR AND ON BEHALF OF ASCENT GOAL INVESTMENTS LIMITED FOR ALL ISSUED SHARES IN ARTFIELD GROUP LIMITED (OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED TO BE ACQUIRED BY ASCENT GOAL INVESTMENTS LIMITED AND PARTIES ACTING IN CONCERT WITH IT) AND ALL OUTSTANDING CALL OPTIONS AND SHARE OPTIONS OF ARTFIELD GROUP LIMITED

Financial adviser to Ascent Goal Investments Limited

BRIDGE PARTNERS

BRIDGE PARTNERS CAPITAL LIMITED

Financial adviser to Artfield Group Limited

OPTIMA CAPITAL

Optima Capital Limited

Independent financial adviser to the independent board committee of Artfield Group Limited

VEDA | CAPITAL
智略資本

A letter from Baron containing, amongst other things, the terms of the Offers, is set out on pages 8 to 20 of the Composite Offer Document.

A letter from the Board is set out on pages 21 to 32 of the Composite Offer Document. A letter from the Independent Board Committee containing its recommendation in respect of the Offers to the Independent Shareholders, the Call Option Holder and the Share Option Holders is set out on pages 33 to 34 of the Composite Offer Document.

A letter from the independent financial adviser, Veda Capital, containing its advice on the Offers to the Independent Board Committee is set out on pages 35 to 55 of the Composite Offer Document.

The procedures for acceptance and settlement of the Offers and other related information are set out in Appendix I to the Composite Offer Document and in the Forms of Acceptance. Acceptances of the Share Offer should be received by the branch share registrar of the Company in Hong Kong, Union Registrars Limited at Rooms 1901-1902, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, no later than 4:00 p.m. on Thursday, 10 April 2008 (or such later time and/or date as the Offeror may decide and announce in accordance with the Takeovers Code). Acceptances of the Call Option Offer and the Share Option Offer should be received by the company secretary of the Company at Room 1507, 15th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong, no later than 4:00 p.m. on Thursday, 10 April 2008 (or such later time and/or date as the Offeror may decide and announce in accordance with the Takeovers Code).

20 March 2008

CONTENTS

Accompanying document:

- **WHITE FORM OF ACCEPTANCE**
- **YELLOW FORM OF ACCEPTANCE**
- **PINK FORM OF ACCEPTANCE**

EXPECTED TIMETABLE

Opening date of the Offers . . . . Thursday, 20 March 2008

Latest time and date for acceptance of the Offers *(Note 1)* . . . . 4:00 p.m. on Thursday, 10 April 2008

Closing date of the Offers *(Note 1)* . . . . Thursday, 10 April 2008

Announcement of the results of the Offers and the level of acceptances uploaded to the website of the Stock Exchange *(Note 1)* . . . . by 7:00 p.m. on Thursday, 10 April 2008

Latest date for posting of remittances for the amounts due in respect of valid acceptances received under the Offers *(Note 2)* . . . . Friday, 18 April 2008

Notes:

1. The latest time and date for acceptance of the Offers will be at 4:00 p.m. on Thursday, 10 April 2008 unless the Offeror revises or extends the Offers in accordance with the Takeovers Code. The Offeror will issue an announcement through the website of the Stock Exchange by 7:00 p.m. on Thursday, 10 April 2008 stating whether the Offers have expired, or have been revised or extended. In the event that the Offeror decides to extend the Offers, at least 14 days' notice in writing will be given, before the latest time and date for acceptance of the Offers, to those Independent Shareholders, the Call Option Holder and the Share Option Holders who have not accepted the Offers. For further details, please refer to the paragraph headed "2. Acceptance Period and Revisions" in Appendix I to the Composite Offer Document.

2. Pursuant to the Takeovers Code, remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty) payable for the Offer Shares tendered or Call Options transferred or Share Options cancelled under the Offers (as the case may be) will be posted by ordinary post to the relevant Independent Shareholders or the Call Option Holder or the Share Option Holders at his/her/its own risks as soon as possible, but in any event within 10 days of the date of the receipt by the Registrar (in respect of the Share Offer) or the company secretary of the Company (in respect of the Call Option Offer and the Share Option Offer) of all valid requisite documents to render the acceptance under the Offers valid. Please refer to the paragraph headed "Settlement of the Offers" in the "Letter from Baron" section of the Composite Offer Document for further information in relation to the settlement of the Offers.

3. Acceptances of the Offers shall be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code. Please refer to paragraph headed "4. Right of Withdrawal" in Appendix I to the Composite Offer Document for further information on the circumstances when the Offers may be granted a right of withdrawal.

All references to times and dates contained in the Composite Offer Document refer to Hong Kong time.

In the Composite Offer Document, the following expressions have the meanings set out below, unless the context requires otherwise:

"acting in concert"	has the same meanings ascribed thereto in the Takeovers Code
"Announcement"	the joint announcement dated 28 January 2008 issued jointly by the Company and the Offeror in relation to, amongst other things, the Subscriptions, the increase in authorised share capital and details of the Offers
"associate(s)"	has the same meanings ascribed thereto in the Listing Rules
"Baron"	Baron Capital Limited, a licensed corporation to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, and the agent of the Offeror to make the Offers
"Board"	the board of Directors
"business day"	a day (other than Saturday and days on which a tropical cyclone warning No. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks are open in Hong Kong for general banking business
"Call Options"	the 60,895,000 call options granted by the Company to Mr. Wong Man Hin, Charles, pursuant to an option subscription agreement dated 24 August 2007 whereby the Call Option Holder has the right to require, at any time during the option period, the Company to procure the delivery of one Share upon exercise of each call option (in total 60,895,000 Shares) by way of issuance and allotment of new Shares at the exercise price of HK$1.165 per Share (subject to adjustment)
"Call Option Holder"	the holder(s) of the Call Options, being Mr. Wong Man Hin, Charles, a third party independent of the Company and its connected persons as at the Latest Practicable Date

"Call Option Offer"	the unconditional mandatory cash offer made by Baron for and on behalf of the Offeror for the transfer of all outstanding Call Options in accordance with the Takeovers Code
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Closing Date"	Thursday, 10 April 2008, the closing day of the Offers, being the business day falling 21 days after the date of despatch of the Composite Offer Document or if the Offers are revised or extended, the closing date of the Offers as revised or extended by the Offeror in accordance with the Takeovers Code
"Companies Act"	the Companies Act 1981 of Bermuda (as amended)
"Company"	Artfield Group Limited, a company incorporated in Bermuda with limited liability, and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1229)
"Completion"	completion of the Subscription Agreement
"Completion Date"	14 March 2008, being the date of Completion
"Composite Offer Document"	this document dated 20 March 2008 jointly issued by the Offeror and the Company in connection with the Offers
"connected person(s)"	has the same meanings ascribed thereto in the Listing Rules
"Conversion Price"	HK$0.20 per Conversion Share (subject to adjustment)
"Conversion Share(s)"	the aggregate of 1,000,000,000 new Shares to be issued by the Company upon full conversion of the Convertible Bond
"Convertible Bond"	the convertible bond in the principal amount of HK$200,000,000 issued by the Company to and subscribed by the Subscriber upon Completion
"Convertible Bond Subscription"	subscription of the Convertible Bond under the Subscription Agreement

"Director(s)"	the director(s) of the Company
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegates of the Executive Director
"Form(s) of Acceptance"	the **WHITE** form of acceptance and transfer of Shares in respect of the Share Offer, the **YELLOW** form of acceptance and transfer of the Call Options in respect of the Call Option Offer and the **PINK** form of acceptance and cancellation of the Share Options in respect of the Share Option Offer
"Group"	the Company and its subsidiaries
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Independent Board Committee"	the independent board committee of the Company, comprising all the existing independent non-executive Directors, namely Mr. Lo Ming Chi, Charles, Mr. Orr Joseph Wai Shing and Mr. Wong Ngao San, Marcus established for the purpose of advising the Independent Shareholders in relation to the Offers
"Independent Shareholder(s)"	Shareholder(s) other than the Offeror, its ultimate beneficial owners and associates and parties acting in concert with them
"Last Trading Date"	11 January 2008, being the last trading day prior to the suspension in trading of the Shares as from 2:30 p.m. on 11 January 2008 pending the release of the Announcement
"Latest Practicable Date"	17 March 2008, being the latest practicable date prior to the printing of the Composite Offer Document for the purpose of ascertaining certain information contained in the Composite Offer Document
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"Offer Period"	the period from 28 January 2008, being the date when the Announcement was made, up to and including the Closing Date
"Offer Share(s)"	issued Shares not already owned or agreed to be subscribed for or acquired by the Offeror and parties acting in concert with it
"Offeror" or "Subscriber"	Ascent Goal Investments Limited, a company incorporated in the British Virgin Islands with limited liability
"Offers"	together, the Share Offer, the Call Option Offer and the Share Option Offer
"PRC"	The People's Republic of China, which for the purpose of the Composite Offer Document, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Registrar"	Union Registrars Limited, the Hong Kong branch share registrar of the Company, at Rooms 1901-1902, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong
"Relevant Period"	the period commencing on the date falling six months prior to the commencement date of the Offer Period and ending on the Latest Practicable Date
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company held on Monday, 10 March 2008, at which resolutions proposed for approving, among other things, (i) the Subscription Agreement and the transactions contemplated thereunder, including but not limited to the issue and allotment of the Subscription Shares, the issue of the Convertible Bond, the issue and allotment of the Conversion Shares; and (ii) the increase in authorised share capital of the Company, were duly passed

"Share(s)"	ordinary share(s) of HK$0.10 each in the issued capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Share Offer"	the unconditional mandatory cash offer made by Baron for and on behalf of the Offeror for all the existing issued Shares (other than the Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it) in accordance with the Takeovers Code
"Share Offer Price"	HK$1.30 per Share
"Share Option Holders"	holders of the Share Options
"Share Option Offer"	the unconditional mandatory cash offer made by Baron for and on behalf of the Offeror for the cancellation of all outstanding Share Options in accordance with the Takeovers Code
"Share Options"	an aggregate of 9,129,570 share options granted by the Company pursuant to the share option scheme of the Company adopted on 28 August 2003
"Share Subscription"	subscription of the Subscription Shares by the Subscriber under the Subscription Agreement
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Agreement"	the conditional subscription agreement dated 15 January 2008 entered into between the Company as the issuer, the Subscriber as the subscriber for the Subscription Shares and the Convertible Bond
"Subscription Price"	HK$0.20 per Subscription Share
"Subscription Shares"	400,000,000 new Shares, representing 56.78% of the existing issued share capital of the Company, subscribed for in cash consideration by the Offeror pursuant to and in accordance with the terms of the Subscription Agreement

"Subscriptions"	the Share Subscription and the Convertible Bond Subscription
"Takeovers Code"	The Hong Kong Code on Takeovers and Mergers
"Veda Capital"	Veda Capital Limited, a licensed corporation to conduct Type 6 (advising on corporate finance) regulated activity under the SFO and an independent fiancial adviser to the Independent Board Committee relating to the Offers
"%"	per cent.

Baron Capital Limited

20 March 2008

To the Independent Shareholders,
the Call Option Holder and the Share Option Holders

Dear Sir or Madam,

UNCONDITIONAL MANDATORY CASH OFFERS BY BARON CAPITAL LIMITED FOR AND ON BEHALF OF ASCENT GOAL INVESTMENTS LIMITED FOR ALL ISSUED SHARES IN ARTFIELD GROUP LIMITED (OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED TO BE ACQUIRED BY ASCENT GOAL INVESTMENTS LIMITED AND PARTIES ACTING IN CONCERT WITH IT) AND ALL OUTSTANDING CALL OPTIONS AND SHARE OPTIONS OF ARTFIELD GROUP LIMITED

INTRODUCTION

On 28 January 2008, the Company and the Offeror jointly announced that the Company and the Offeror entered into the Subscription Agreement on 15 January 2008, pursuant to which the Company (i) has conditionally agreed to allot and issue to the Offeror, and the Offeror has conditionally agreed to subscribe in cash consideration of HK$80,000,000 for a total of 400,000,000 new Shares at the subscription price of HK$0.20 per Subscription Share and (ii) has conditionally agreed to issue to the Offeror, and the Offeror has conditionally agreed to subscribe for, the Convertible Bond in the principal amount of HK$200,000,000 simultaneously upon completion of the issue and allotment of the Subscription Shares giving rise to an interest in 1,000,000,000 underlying Shares (assuming full conversion of the Convertible Bond at the Conversion Price). The Subscription Agreement is conditional upon, among other things, approval of the Subscription Agreement by the Shareholders at the SGM. In addition, to cater for the issue of the Subscription Shares and the Conversion Shares which may be issued upon conversion of the Convertible Bond, the Board also proposed to increase the authorised share capital of the Company from HK$90,000,000 divided into 900,000,000 Shares to HK$500,000,000 divided into 5,000,000,000 Shares by the creation of an additional 4,100,000,000 unissued Shares.

On 10 March 2008, the Board announced that the resolutions approving the Subscription Agreement and the transactions contemplated thereunder (including the issue and allotment of the Subscription Shares, the issue of the Convertible Bond, and the issue and allotment of the Conversion Shares), and the increase in authorised share capital of the Company were duly passed by the Shareholders at the SGM.

The condition precedents of the Subscription Agreement were fulfilled and Completion took place on 14 March 2008 and the Offeror had subscribed for the Subscription Shares and the Convertible Bond. Prior to Completion, the Offeror, its ultimate beneficial owners and associates and parties acting in concert with any of them did not own any Shares. Following the Completion, the Offeror, its ultimate beneficial owners and associates and parties acting in concert with any of them had acquired approximately 56.78% of the voting rights of the Company as enlarged by the Subscription Shares. In accordance with Rules 26 and 13 of the Takeovers Code, the Offeror is required to make an unconditional mandatory general offer for all issued Shares, other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it, and comparable offers for all the outstanding Call Options and Share Options.

As at the Latest Practicable Date, the Offeror, its ultimate beneficial owners and associates and parties acting in concert with any of them were interested in 400,000,000 Shares, representing approximately 56.78% of the issued share capital of the Company.

We have been appointed by the Offeror as its agent to make the Offers. We are satisfied that sufficient financial resources are available to the Offeror to satisfy the consideration payable by it under the Subscription Agreement and to enable the Offeror to satisfy full acceptance of the Offers.

This letter, Appendix I to the Composite Offer Document and the accompanying Forms of Acceptance together set out the terms and conditions of the Offers and certain related information.

Unless otherwise stated, capitalised terms in this letter have the same meanings as those defined in the "Definitions" section of the Composite Offer Document.

THE OFFERS

Immediately following Completion, the Offeror, its ultimate beneficial owners and associates and parties acting in concert with any of them owned 400,000,000 Shares, representing approximately 56.78% of the issued share capital of the Company as at the Latest Practicable Date. Under Rules 26 and 13 of the Takeovers Code, the Offeror is now obliged to make the Offers comprising the Share Offer, the Call Option Offer and the Share Option Offer. The Offers are unconditional in all respects and are solely in cash.

The Share Offer

Baron, on behalf of the Offeror, makes the Share Offer on the following basis:–

For each Offer Share . . . . HK$1.30 in cash

The Share Offer Price of HK$1.30 per Share was determined with reference to the average closing price of approximately HK$1.38 per Share for the ten consecutive trading days up to and including the Last Trading Day.

Comparisons of value

The Share Offer Price represents:–

(a) a discount of approximately 13.9% to the closing price of HK$1.51 per Share as quoted on the Stock Exchange on the Last Trading Day;

(b) a discount of approximately 5.8% to the average closing price of approximately HK$1.38 per Share for the ten consecutive trading days up to and including the Last Trading Day;

(c) approximately 7.7 times over the Group's audited net asset value of approximately HK$0.17 per Share as at 31 March 2007, being the date to which the latest audited consolidated financial accounts of the Company were drawn up; and

(d) a premium of 4.0% over the closing price of HK$1.25 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Shares to be acquired under the Share Offer shall be free and clear of all liens, charges and encumbrances whatsoever and have all rights as at the Completion Date or thereafter attaching thereto (including the right to all dividends and distributions declared, paid or made on or after the Completion Date).

No Shareholder has undertaken with the Offeror to accept or reject the Share Offer.

During the Relevant Period, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange was HK$2.03 per Share on 30 July 2007 and HK$1.03 per Share on 23 October 2007 respectively.

The Call Option Offer

Baron, on behalf of the Offeror, makes the Call Option Offer on the following basis:–

For transfer of each of 60,895,000 Call Options
with the exercise price at HK$1.165 per Share . . . . HK$0.135 per Call Option in cash

As at the Latest Practicable Date, there were 60,895,000 Call Options outstanding whereby the Call Option Holder has the right to require, at any time during the option period, the Company to procure the delivery of one Share upon exercise of each call option by way of issuance and allotment of new Shares at the exercise price of HK$1.165 per Share. The price for transfer of the Call Options under the Call Option Offer is determined by reference to the exercise price of the Call Options at HK$1.165 per Share. The Call Option Holder is an independent third party not connected with the Company and its connected persons.

Under the terms of the Call Option Offer, the Call Options together with all rights attaching thereto will be transferred to the Offeror, free and clear of all liens, charges and encumbrances whatsoever. The Offeror has not received any irrevocable undertaking from the Call Option Holder to accept or reject the Call Option Offer.

The Share Option Offer

Baron, on behalf of the Offeror, makes the Share Option Offer on the following basis:–

For cancellation of each of
6,089,570 Share Options with the exercise price
at HK$1.146 per Share .... HK$0.154 per Share Option in cash

For cancellation of each of
3,040,000 Share Options with the exercise price
at HK$1.26 per Share .... HK$0.04 per Share Option in cash

As at the Latest Practicable Date, there were 9,129,570 Share Options outstanding entitling the Share Option Holders to subscribe for an aggregate of 9,129,570 Shares, out of which 6,089,570 Share Options are exercisable at an exercise price of HK$1.146 per Share and 3,040,000 Share Options are exercisable at an exercise price of HK$1.26 per Share. The prices for cancellation of the Share Options under the Share Option Offer are determined by reference to the respective exercise prices of the Share Options.

Under the terms of the Share Option Offer, the Share Options together with all rights attaching thereto will be entirely cancelled and renounced. Mr. Leung Heung Ying, Alvin and Mr. Lo Chi Ho, William (the executive Directors) confirmed that it is their intention to accept the Share Option Offer in respect of their interests on the Share Options. No Share Option Holders has undertaken to the Offeror to accept or reject the Share Option Offer.

Pursuant to the share option scheme of the Company adopted on 28 August 2003 under which the Share Options were granted to the Share Option Holders, in the case that a general offer is made to the Shareholders, the Share Option Holders will be entitled to exercise the Share Options in full at any time before the close of the offer, after which the Share Options shall lapse according to the terms of the share option scheme.

Save for the Call Options, the Share Options and the Convertible Bond held by the Offeror, there is no outstanding options, warrants, derivatives or securities issued by the Company and convertible into Shares as at the Latest Practicable Date.

The Offers are unconditional in all respects and, unless extended, will remain open for acceptance until 4:00 p.m. on Thursday, 10 April 2008. Acceptances of the Offers shall be irrevocable and, subject to the right of withdrawal set out in Appendix I to the Composite Offer Document, once given cannot be withdrawn.

TOTAL CONSIDERATION

As at the Latest Practicable Date, there were 704,478,584 Shares in issue. Assuming that there is no change in the issued share capital of the Company prior to the close of the Offers and based on the Share Offer Price of HK$1.30 per Offer Share, the entire issued share capital of the Company is valued at approximately HK$915.82 million. On the basis that 400,000,000 Shares are held by the Offeror, its ultimate and beneficial owners and parties acting in concert with any one of them, a total of 304,478,584 Offer Shares shall be subject to the Share Offer (assuming there are no exercise of the Call Options, the Share Options and the Convertible Bond held by the Offeror).

Assuming full acceptance of the Offers and no exercise of the Call Options, the Share Options and the Convertible Bond held by the Offeror, the cash consideration payable by the Offeror to acquire all the Shares not already owned by or agreed to be acquired by the Offeror and parties acting in concert with it and the Call Options and for cancellation of all outstanding Share Options would be approximately HK$405,102,377.98.

Assuming full acceptance of the Offers and full exercise of the Call Options and the Share Options, the cash consideration payable by the Offeror to acquire all the Shares not already owned by or agreed to be acquired by the Offeror and parties acting in concert with it would be approximately HK$486,854,100.20.

FINANCIAL RESOURCES FOR THE OFFERS

We are satisfied that sufficient financial resources are available to the Offeror to satisfy the consideration payable by it under the Subscription Agreement and to enable the Offeror to satisfy full acceptance of the Offers. The Offeror will finance the Offers with its internal resources.

The Offeror confirms that payment of interest on, repayment of or security for any liability (contingent or otherwise) in relation to the amount of funds required for the full acceptance of the Offers will not depend to any significant extent on the business of the Company.

INFORMATION ON THE GROUP

The Company is an investment holding company. The principal activities of the Group are marketing and trading of clocks and other office related products, lighting products and trading of metals.

For each of the two years ended 31 March 2006 and 2007, the Group recorded audited loss before tax of approximately HK$70,595,000 and HK$128,038,000 respectively, and audited loss attributable to equity holders of the Company of approximately HK$72,149,000 and HK$124,577,000 respectively. The unaudited equity attributable to equity holders of the Company as at 30 September 2007 was approximately HK$44,631,000.

INFORMATION ON THE OFFEROR

The Offeror is an investment holding company incorporated under the laws of British Virgin Islands with limited liability, and a wholly-owned subsidiary of China Sonangol International Limited. Save for the entering into of the Subscription Agreement, the Offeror has not conducted any business since its incorporation and has no material assets and liabilities. Ms. Lo Fong Hung is the sole director of the Offeror.

China Sonangol International Limited is a company incorporated under the laws of Hong Kong with limited liability which is principally engaged in the exploration, development, production and sale of crude oil, property and hotel investment, and investment holdings. It is beneficially owned as to 70% by New Bright International Development Limited and 30% by Sonangol E.P.. Ms. Lo Fong Hung, Ms. Fung Yuen Kwan, Veronica and Mr. Manuel Domingos Vincente are the directors of China Sonangol International Limited.

New Bright International Development Limited is ultimately and beneficially owned as to 30% by Ms. Lo Fong Hung and 70% by Ms. Fung Yuen Kwan, Veronica. It is a company incorporated under the laws of Hong Kong with limited liability which is principally engaged in investment holding. Ms. Lo Fong Hung and Ms. Fung Yuen Kwan, Veronica are the directors of New Bright International Development Limited. Ms. Lo Fong Hung and Ms. Fung Yuen Kwan, Veronica are business partners.

Sonangol E.P. is a 100% state-owned oil company of the Republic of Angola which is responsible for the management of oil and gas reserves in Angola.

Prior to the entering into of the Subscription Agreement, neither the Offeror, its ultimate beneficial owners nor associates nor parties acting in concert with any of them owned any Shares. Save for the entering into of the Subscription Agreement, none of the Offeror, its ultimate beneficial owners and associates and parties acting in concert with any of them has dealt in any Shares during the Relevant Period.

THE OFFEROR'S INTENTION IN RELATION TO THE GROUP

The Offeror believes that the general management experience and network from the proposed Directors and the continuity of corporate strategies to improve the operating efficiency of the Group will bring more business opportunities to the Group in the future. Apart from maintaining the existing business of the Group, the Offeror 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 areas. However, there is no specific plan or target to which the Company is committed at present and no negotiation had been entered in this regard.

In view of the losses continuously suffered by the Group for the past few years, the Offeror will conduct a review on the financial positions and operations of the Group. At present, there is no plan for the Offeror to redeploy any fixed assets of the Group other than in its ordinary course of business. Although there is no plan to change the existing management structure and employees of the Group save for the resignation of the existing Directors after the close of the Offers, new employees may be needed to help strengthening the corporate structure of the Group.

Save for the proposed resignation of the existing Directors as referred to in the section headed "Proposed change of board composition of the Company" below, the Offeror has, up to and as at the Latest Practicable Date, no intention to make any material changes to the existing management, employees or re-deploy fixed assets of the Group other than in its ordinary course of business, and at this stage no intention to inject any assets or businesses into the Group.

PROPOSED CHANGE OF BOARD COMPOSITION OF THE COMPANY

Ms. Lo Fong Hung, Mr. Wang Xiangfei and Mr. Kwan Man Fai will be appointed as executive Directors and Mr. Wong Man Hin, Raymond, Mr. Lam Ka Wai, Graham and Mr. Chan Yiu Fai, Youdey will be appointed as independent non-executive Directors on the business day after the despatch of the Composite Offer Document.

Set out below are the biographical details of the proposed Directors to be nominated by the Offeror:

Executive Directors:

Ms. Lo Fong Hung ("Ms. Lo"), aged 52, currently serves as the chairperson of China International Fund Limited and the vice chairperson of China Sonangol International Holding Limited, China Sonangol International Limited and Endiama China International Holding Limited. Ms. Lo is also a director of several companies, namely Sonangol Sinopec International Limited, Dayuan International Development Limited, New Bright International Development Limited, World Pro Development Limited, World Noble Holdings Limited, CSG Automobile Limited and China Sonangol Asset Management Limited. Since 2004, Ms. Lo has served as the chairperson of China Beiya Escom International Limited in Hong Kong and started exploring and developing energy resources and industrial investment in Latin America and Africa. Ms. Lo ultimately and beneficially owns 30% shareholding interest in New Bright International Development Limited, which currently holds 70% of China Sonangol International Limited. China Sonangol International Limited is the holding company of the Offeror. Ms. Lo is the wife of Mr. Wang Xiangfei.

Mr. Wang Xiangfei ("Mr. Wang"), aged 56, graduated from Renmin University of China with a bachelor degree in economics in 1982. Apart from serving the Company as an executive Director, Mr. Wang is also the vice chief financial officer of Sonangol Sinopec International Limited and the financial advisor to China Sonangol International Limited. Mr. Wang is currently an independent non-executive director of several listed companies in Hong Kong, namely Chongqing Iron & Steel Company Limited, Tianjin Capital Environmental Protection Company Limited, China CITIC Bank Corporation Limited and SEEC Media Group Limited. Previously, Mr. Wang had also served as an independent non-executive director of Plus Holdings Limited and as an executive director of China Everbright International Limited, China Everbright Limited, HKC (Holdings) Limited and China Haidian Holdings Limited. Mr. Wang is the husband of Ms. Lo.

Mr. Kwan Man Fai ("Mr. Kwan"), aged 39, graduated from the University of Hong Kong with a bachelor degree in laws and a postgraduate certificate in laws. Mr. Kwan also holds a master degree in laws from The London School of Economics and Social Sciences, the University of London and a master degree in the PRC law from the City University of Hong Kong. Mr. Kwan is currently a partner of Messrs. Li & Partners, a law firm in Hong Kong. Mr. Kwan has over ten years of experience in corporate finance and banking work, including assisting various companies in their listing on the Main Board and Growth Enterprise Market of the Stock Exchange.

Mr. Kwan was an independent non-executive director of The Sun's Group Limited (the "**Sun's Group**") (Stock Code: 00988) during the period from 16 October 2002 to 28 February 2003. The Sun's Group is a company incorporated in Bermuda and is principally engaged in property investment, development and management and hotel operation. Pursuant to an announcement dated 14 April 2003 issued by the Sun's Group, the Sun's Group received winding up petitions on 11 April 2003 (within 12 months after Mr. Kwan's resignation) filed with the High Court of Hong Kong ("**High Court**") by the Sun's Group former director, Mr. Wong Kwan and his wholly-owned subsidiary, Charcon Assets Limited, respectively against the Sun's Group and its subsidiaries claiming outstanding remunerations and loans aggregated to a sum of HK$61,884,635.07 plus all interest accrued after their due dates or drawdown date. According to the Sun's Group announcement dated 28 September 2006, pursuant to two orders of the High Court dated 20 September 2006, the said petitions were dismissed and the provisional liquidators appointed were discharged.

The appointment of the proposed executive Directors is for a term of 3 years, and each of them will enter into a service contract with the Company and be entitled to a proposed director's emolument of HK$240,000 per annum and may be entitled to an annual management bonus of a sum to be determined by the Board at its discretion and limited to 5% of the consolidated net profits after taxation and minority interests but before extraordinary items as shown in the Group's audited consolidated accounts for the relevant financial year, which was determined with reference to the directors' duties and responsibilities in the Company. The relevant service contracts have not been signed as at the Latest Practicable Date.

Independent non-executive Directors:

Mr. Wong Man Hin, Raymond ("Mr. Wong"), aged 41, is a member of American Institute of Certified Public Accountants, a Certified Management Accountant (CMA) and holds a certificate in financial management (CFM). Mr. Wong holds a bachelor degree in chemical engineering and a master degree in economics. Mr. Wong is an executive director and deputy chairman of Raymond Industrial Limited, a company listed on the Main Board of the Stock Exchange. He is the independent non-executive director of Fulbond Holdings Limited and BEP International Holdings Limited (both companies listed on the Main Board of the Stock Exchange). He was an independent non-executive director of Era Information & Entertainment Limited (a company listed on the Growth Enterprise Market of the Stock Exchange) during the period from August 2007 to February 2008.

Mr. Lam Ka Wai, Graham ("Mr. Lam"), aged 40, graduated from the University of Southampton, England with a Bachelor of Science degree in Accounting and Statistics. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. Mr. Lam is currently a corporate finance director and a head of corporate finance of an investment bank and has around 14 years experience in investment banking as well as around 4 years experience in accounting and auditing. He is also an independent non-executive director of Cheuk Nang (Holdings) Limited (stock code: 131), Applied Development Holdings Limited (stock code: 519), China Conservational Power Holdings Limited (stock code: 290) and ZZNode Technologies Company Limited (stock code: 2371), all of which are companies listed on the Main Board of the Stock Exchange.

Mr. Chan Yiu Fai, Youdey ("Mr. Chan"), aged 38, graduated from the University of Hong Kong with a bachelor degree in laws and a postgraduate certificate in laws. Mr. Chan also holds master degrees in laws from the City University of Hong Kong and from the People's University of China. Mr. Chan is currently a partner of Messrs. David Y.Y. Fung & Co., a law firm in Hong Kong. Mr. Chan has extensive experience in civil and commercial crime litigation and also handles various transactions for corporate clients and banks in Hong Kong.

The appointment of the proposed independent non-executive Directors is for a term of 3 years, and each of them will enter into a service contract with the Company and be entitled to a proposed director's emolument of HK$240,000 per annum, which was determined with reference to the directors' duties and responsibilities in the Company and the market rate for the position. The relevant service contracts have not been signed as at the Latest Practicable Date.

Save as disclosed above, none of the proposed executive Directors and independent non-executive Directors had any directorship in listed companies in the last three years, and nor are they related to any director, senior management or substantial or controlling shareholder of the Company, or interested in any shares of the Company within the meaning of Part XV of the SFO as at the Latest Practicable Date. Each proposed Director has confirmed there is no other information relating to his/her appointment which is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules or matter which needs to be brought to the attention of the Shareholders.

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror intends that the Company shall remain listed on the main board of the Stock Exchange after the expiry of the Offer Period. The new Directors to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

The Offeror undertakes to the Stock Exchange that following the closing of the Offers, appropriate steps will be taken to ensure that not less than 25% of the Shares will be held by the public. When the Offers close, should there be less than 25% of the issued Shares in public hands, the Offeror will take appropriate steps which may include placing down part of its interests in the Company to independent third parties not connected with or acting in concert with the Offeror, its ultimate beneficial owners and associates, the directors, chief executives or substantial shareholders of the Company or any of their respective subsidiaries or any of their respective associates as soon as practicable after closing of the Offers.

The Stock Exchange has stated that if, at the close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

– **a false market exists or may exist in the trading of the Shares; or**

– **there are insufficient Shares in public hands to maintain an orderly market,**

it will consider exercising its discretion to suspend dealings in the Shares until a level of sufficient public float is attained.

So long as the Company remains a listed company, the Stock Exchange will also closely monitor all future acquisitions or disposals of assets of the Company. Any acquisitions or disposals of assets by the Group will be subject to the provisions of the Listing Rules. Pursuant to the Listing Rules, the Stock Exchange has the discretion to require the Company to issue an announcement and a circular to the Shareholders irrespective of the size of any proposed transactions, particularly when such proposed transactions represent a departure from the principal activities of the Group.

The Stock Exchange also has the power to aggregate a series of acquisitions or disposals of the Company and any such transactions may result in the Company being treated as if it were a new listing applicant and subject to the requirements for new listing applicants as set out in the Listing Rules.

PROCEDURES FOR ACCEPTANCE AND SETTLEMENT

Procedures for acceptance of the Share Offer

To accept the Share Offer, you must complete and sign the accompanying **WHITE** Form of Acceptance in accordance with the instructions printed thereon, which form part of the terms of the Share Offer.

The completed **WHITE** Form of Acceptance should then be forwarded, together with the relevant Share(s) certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for not less than the number of Shares in respect of which you intend to accept the Share Offer, by post or by hand to the Registrar marked "Artfield Share Offer" on the envelope, at Rooms 1901-1902, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, as soon as practicable **and in any event, so as to reach the Registrar by no later than 4:00 p.m. on Thursday, 10 April 2008** (or such later time and date as the Offeror may determine and announce in accordance with the Takeovers Code). No acknowledgement of receipt of any **WHITE** Form(s) of Acceptance, Share(s) certificate(s), transfer receipt(s) or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

Your attention is also drawn to the section headed "Terms of the Offers" as set out in Appendix I to the Composite Offer Document and the **WHITE** Form of Acceptance.

Procedures for acceptance of the Call Option Offer

To accept the Call Option Offer, you must complete and sign the accompanying **YELLOW** Form of Acceptance in accordance with the instructions printed thereon, which form part of the terms of the Call Option Offer. The **YELLOW** Form of Acceptance has been despatched to the Call Option Holder and is also available at the Company's head office and principal place of business at Room 1507, 15th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

The completed **YELLOW** Form of Acceptance should be forwarded, together with the relevant Call Option certificate issued in respect of the Call Options, the form of transfer in or substantially in the form as included in the option subscription agreement dated 24 August 2007 and authority for signing of the form of transfer (if applicable) (and/or satisfactory indemnity or indemnities required in respect thereof), by post or by hand to the company secretary of the Company marked "Artfield Call Option Offer" on the envelope at Room 1507, 15th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong, as soon as practicable **and in any event, so as to reach the Company by no later than 4:00 p.m. on Thursday, 10 April 2008** (or such later time and date as the Offeror may determine and announce in accordance with the Takeovers Code). No acknowledgement of receipt of any **YELLOW** Form(s) of Acceptance, Call Option certificate, the form of transfer and authority for signing of the form of transfer (if applicable) (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

Your attention is also drawn to the section headed "Terms of the Offers" as set out in Appendix I to the Composite Offer Document and the **YELLOW** Form of Acceptance.

Procedures for acceptance of the Share Option Offer

To accept the Share Option Offer, you must complete and sign the accompanying **PINK** Form of Acceptance in accordance with the instructions printed thereon, which form part of the terms of the Share Option Offer. The **PINK** Form of Acceptance has been separately despatched to each of the Share Option Holder and is also available at the Company's head office and principal place of business at Room 1507, 15th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

The completed **PINK** Form of Acceptance should be forwarded, together with the relevant Share Option(s) certificate(s) (if any) for not less than the number of Share Options in respect of which you intend to accept the Share Option Offer, by post or by hand to the company secretary of the Company marked "Artfield Share Option Offer" on the envelope at Room 1507, 15th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong, as soon as practicable **and in any event, so as to reach the Company by no later than 4:00 p.m. on Thursday, 10 April 2008** (or such later time and date as the Offeror may determine and announce in accordance with the Takeovers Code). No acknowledgement of receipt of any **PINK** Form(s) of Acceptance and Share Option(s) certificate(s) will be given.

Your attention is also drawn to the section headed "Terms of the Offers" as set out in Appendix I to the Composite Offer Document and the **PINK** Form of Acceptance.

Settlement of the Offers

Provided that a valid Form of Acceptance and the relevant documents required under the Offers are complete and in good order in all respects and have been received by the Registrar or the company secretary of the Company (as the case may be) no later than 4:00 p.m. on Thursday, 10 April 2008, being the latest time and date for acceptance of the Offers, a cheque for the amount due, less seller's ad valorem stamp duty (if any) payable by the relevant Shareholder or the Call Option Holder or the Share Option Holders (as the case may be), will be despatched to the relevant Shareholder or the Call Option Holder or the Share Option Holders (as the case may be) by ordinary post at his/her/its own risk as soon as possible but in any event within 10 days of the date of receipt by the Registrar (in respect of the Share Offer) or the company secretary of the Company (in respect of the Call Option Offer and the Share Option Offer) of all valid requisite documents to render the acceptance under the Offers valid. The Offeror will then pay stamp duty to the Hong Kong Stamp Office.

In order for the beneficial owners of Shares whose investments are registered in nominee names to accept the Share Offer, it is essential that they provide instructions to their nominee agents of their intentions with regards to the Share Offer. To ensure equality of treatment of all Shareholders, those registered Shareholders who hold Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately.

The attention of the Shareholders, the Call Option Holder and the Share Option Holders with registered addresses outside Hong Kong is drawn to the paragraph headed "5. General" of Appendix I to the Composite Offer Document.

FURTHER TERMS OF THE OFFERS

Further terms and conditions of the Offers (including further procedures for acceptance of the Offers, the acceptance period, revisions of the Offers and the stamp duty payable by Independent Shareholders who accept the Share Offer and the Call Option Holder who accept the Call Option Offer) are set out in Appendix I to the Composite Offer Document and the Forms of Acceptance.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee and the letter from Veda Capital, which are contained in the Composite Offer Document, in relation to their recommendation regarding the Offers.

Yours faithfully,
For and on behalf of
Baron Capital Limited
Joseph Wan
Director

ARTFIELD GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1229)

Directors:
Mr. LEUNG Heung Ying, Alvin *(Managing Director)*
Ms. CHUNG Oi Ling, Stella
Mr. LO Chi Ho, William
Mr. LO Ming Chi, Charles#
Mr. ORR Joseph Wai Shing#
Mr. WONG Ngao San, Marcus#

Independent non-executive director

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
Room 1507, 15th Floor
Office Tower
Convention Plaza
1 Harbour Road
Wanchai, Hong Kong

20 March 2008

To the Independent Shareholders,
the Call Option Holder and the Share Option Holders

Dear Sir or Madam,

UNCONDITIONAL MANDATORY CASH OFFERS BY BARON CAPITAL LIMITED FOR AND ON BEHALF OF ASCENT GOAL INVESTMENTS LIMITED FOR ALL ISSUED SHARES IN ARTFIELD GROUP LIMITED (OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED TO BE ACQUIRED BY ASCENT GOAL INVESTMENTS LIMITED AND PARTIES ACTING IN CONCERT WITH IT) AND ALL OUTSTANDING CALL OPTIONS AND SHARE OPTIONS OF ARTFIELD GROUP LIMITED

INTRODUCTION

On 28 January 2008, the Offeror and the Company jointly announced that a mandatory cash offer might be made by Baron on behalf of the Offeror to acquire all the issued Shares other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it. Completion of the Subscription Agreement was subject to the fulfillment of the conditions precedent including, amongst others, passing of the Shareholders' resolutions including (i) the approval of the terms of the Subscription Agreement; (ii) the increase in the authorised share capital of the Company from 900,000,000 Shares to 5,000,000,000 Shares; (iii) the approval of the issue of the Convertible Bond and the issue and allotment of the Subscription Shares; and (iv) the approval of the issue and allotment of the Conversion Shares. The conditions precedent of the Subscription Agreement were fulfilled and Completion took place on 14 March 2008. Prior to Completion, the Offeror, its ultimate beneficial owners and associates and parties acting in concert with any of them did not own any Shares. Following the Completion, the Offeror, its ultimate beneficial owners and associates and parties acting in concert with any of them were interested in approximately 56.78% of the voting rights of the Company as enlarged by the Subscription Shares. In accordance with Rules 26 and 13 of the Takeovers Code, the Offeror is required to make an unconditional mandatory general offer for all issued Shares, other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it, and comparable offers for all the outstanding Call Options and Share Options.

Mr. Lo Ming Chi, Charles, Mr. Orr Joseph Wai Shing and Mr. Wong Ngao San, Marcus, being the independent non-executive Directors, have been appointed as members of the Independent Board Committee for considering, and making recommendations of, the terms of the Offers to the Independent Shareholders, the Call Option Holder and the Share Option Holders. Veda Capital has been appointed as the independent financial adviser to advise the Independent Board Committee on the reasonableness and the fairness of the terms of the Offers. The appointment of Veda Capital as the independent financial adviser has been approved by the Independent Board Committee.

The purpose of the Composite Offer Document is to provide you with, among other things, information relating to the Group, the Offeror and the Offers as well as setting out the letter from the Independent Board Committee containing its recommendation and advice to the Independent Shareholders, the Call Option Holder and the Share Option Holders in respect of the Offers, and the letter from Veda Capital containing its advice to the Independent Board Committee in respect of the Offers.

SHAREHOLDING STRUCTURES

Set out below are the shareholding structures of the Company (i) after the Completion and before the Offers; (ii) assuming exercise in full of the conversion rights attaching to the Convertible Bond but before exercise of the Call Options and the Share Options; (iii) assuming no exercise of the conversion rights attaching to the Convertible Bond but after exercise in full of the Call Options and the Share Options; and (iv) assuming exercise in full of the conversion rights attaching to the Convertible Bond, and of the Call Options and the Share Options:

	After the Completion and before the Offers		**Immediately after the exercise in full of the conversion rights attaching to the Convertible Bond (Assuming no exercise of the Call Options and the Share Options)** *(Note 3)*		**Before exercise of the conversion rights attaching to the Convertible Bond (Assuming full exercise of the Call Options and the Share Options)**		**Immediately after the exercise in full of the conversion rights attaching to the Convertible Bond (Assuming full exercise of the Call Options and the Share Options)** *(Note 3)*	
	Number of Shares	*Approximate %*	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*
Marigold Worldwide Group Limited *(Note 1)*	116,684,300	16.56	116,684,300	6.84	116,684,300	15.06	116,684,300	6.58
Call Option Holder *(Note 2)*	–	–	–	–	60,895,000	7.86	60,895,000	3.43
Share Option Holders *(Note 4)*	–	–	–	–	9,129,570	1.18	9,129,570	0.51
The Offeror, its ultimate beneficial owners and parties acting in concert with any one of them	400,000,000	56.78	1,400,000,000	82.14	400,000,000	51.65	1,400,000,000	78.90
Public Shareholders	187,794,284	26.66	187,794,284	11.02	187,794,284	24.25	187,794,284	10.58
Total	704,478,584	100.00	1,704,478,584	100.00	774,503,154	100.00	1,774,503,154	100.00
Total public float	187,794,284	26.66	304,478,584	17.86	251,734,069	32.50	368,418,369	20.76

Notes:

1. Marigold Worldwide Group Limited is wholly-owned by Mr. Yam Tak Cheung. Marigold Worldwide Group Limited will be treated as a public Shareholder if it holds less than 10% of the issued share capital of the Company. On 29 January 2008, Marigold Worldwide Group Limited sold 2,500,000 Shares at HK$1.30 per Share.

2. Call Option Holder, being Mr. Wong Man Hin, Charles, is a third party independent of the Company and its connected persons.

3. This column is for illustration purpose only. Pursuant to the terms of the Convertible Bond, the conversion rights attaching to the Convertible Bond will not be exercised by the holder of the Convertible Bond and the Company will not issue the Conversion Shares if, immediately following the conversion, the Company would be unable to meet the public float requirement under the Listing Rules.

4. Upon full exercise of the Share Options, 3,044,785 new Shares will be issued to public Shareholders and the remaining 6,084,785 new Shares will be issued to certain Directors.

5. The above shareholding table has not taken into account the acceptances of the Offers.

THE OFFERS

Baron, on behalf of the Offeror, is making the Offers, which are unconditional in all respects, in compliance with the Takeovers Code on the following terms:

The Share Offer

For each existing Share .... HK$1.30 in cash

The Share Offer values the entire existing issued share capital of the Company at approximately HK$915.82 million.

The Share Offer Price of HK$1.30 per Share was determined with reference to the average closing price of approximately HK$1.38 per Share for the ten consecutive trading days up to and including the Last Trading Day. It represents:

- a discount of approximately 13.9% to the closing price of HK$1.51 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a discount of approximately 5.8% to the average closing price of approximately HK$1.38 per Share for the ten consecutive trading days up to and including the Last Trading Day;
- approximately 7.7 times over the Group's audited net asset value of approximately HK$0.17 per Share as at 31 March 2007, being the date to which the latest audited consolidated financial accounts of the Company were drawn up; and
- a premium of 4.0% over the closing price of HK$1.25 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Shares to be acquired under the Share Offer shall be free and clear of all liens, charges and encumbrances whatsoever and have all rights as at the Completion Date or thereafter attaching thereto (including the right to all dividends and distributions declared, paid or made on or after the Completion Date).

No Shareholder has undertaken with the Offeror to accept or reject the Share Offer.

The Call Option Offer

For transfer of each of 60,895,000 Call Options with the exercise price at HK$1.165 per Share .... HK$0.135 per Call Option in cash

The price for transfer of the Call Options under the Call Option Offer is determined by reference to the exercise price of the Call Options at HK$1.165 per Share. The Call Option Holder is an independent third party not connected with the Company and its connected person.

Under the terms of the Call Option Offer, the Call Options together with all rights attaching thereto will be transferred to the Offeror free and clear of all liens, charges and encumbrances whatsoever. The Offeror has not received any irrevocable undertaking from the Call Option Holder to accept or reject the Call Option Offer.

The Share Option Offer

(i) For cancellation of each of 6,089,570 Share Options with the exercise price at HK$1.146 per Share .... HK$0.154 per Share Option in cash

(ii) For cancellation of each of 3,040,000 Share Options with the exercise price at HK$1.26 per Share .... HK$0.04 per Share Option in cash

The prices for cancellation of the Share Options under the Share Option Offer were determined with reference to the respective exercise prices of the Share Options.

Under the terms of the Share Option Offer, the Share Options together with all rights attaching thereto will be entirely cancelled and renounced. No Share Option Holders has undertaken to the Offeror to accept or reject the Share Option Offer. Mr. Leung Heung Ying, Alvin and Mr. Lo Chi Ho, William (the executive Directors), who were interested in an aggregate of 6,084,785 outstanding Share Options as at the Latest Practicable Date, confirmed that it is their intention to accept the Share Option Offer. Save as the aforesaid Share Options, none of the Directors held any Shares or other securities of the Company.

Pursuant to the share option scheme of the Company adopted on 28 August 2003 under which the Share Options were granted to the Share Option Holders, in the case that a general offer is made to the Shareholders, the Share Option Holders will be entitled to exercise the Share Options in full at any time before the close of the offer, after which the Share Options shall lapse according to the terms of the share option scheme.

Save for the Call Options, the Share Options and the Convertible Bond held by the Offeror, there was no outstanding options, warrants, derivatives or securities issued by the Company and convertible into Shares as at the Latest Practicable Date.

UNCONDITIONAL OFFERS

The Offers are unconditional in all respects given that the Offeror, its ultimate beneficial owners and associates and parties acting in concert with any of them are beneficially interested in 400,000,000 Shares, representing approximately 56.78% of the issued share capital of the Company immediately after Completion.

STAMP DUTY

Sellers' ad valorem stamp duty for the Shares in connection with acceptance of the Share Offer will be payable by each Shareholder at the rate of HK$1.00 for every HK$1,000 or part thereof of the consideration payable by the Offeror for such person's Shares and will be deducted from the consideration payable to such person under the Share Offer. Such amounts will be paid by the Offeror to the Stamp Duty office in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

Sellers' ad valorem stamp duty for the Call Options in connection with acceptance of the Call Option Offer will be payable by the Call Option Holder at the rate of HK$1.00 for every HK$1,000 or part thereof of the consideration payable by the Offeror for such person's Call Options and will be deducted from the consideration payable to such person under the Call Option Offer. Such amounts will be paid by the Offeror to the Stamp Duty office in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

THE LATEST TIME AND DATE FOR ACCEPTANCE OF THE OFFERS

The latest time and date for acceptance of the Offers is 4:00 p.m. on Thursday, 10 April 2008 (or such later time and date as the Offeror may determine and announce in accordance with the Takeovers Code).

FURTHER INFORMATION

Please refer to the "Letter from Baron" and Appendix I to the Composite Offer Document for information in relation to the Offers, the making of the Offers to the Shareholders, the Call Option Holder and the Share Option Holders residing in overseas countries, taxation and acceptance and settlement procedures of the Offers.

INFORMATION ON THE GROUP

The Company is an investment holding company. The principal activities of the Group are marketing and trading of clocks and other office related products, lighting products and trading of metals. For each of the two years ended 31 March 2006 and 2007, the Group recorded audited loss before tax of approximately HK$70,595,000 and HK$128,038,000 respectively, and audited loss attributable to equity holders of the Company of approximately HK$72,149,000 and HK$124,577,000 respectively. The unaudited equity attributable to equity holders of the Company as at 30 September 2007 was approximately HK$44,631,000.

INFORMATION ON AND INTENTIONS OF THE OFFEROR

Ascent Goal Investments Limited, the Offeror, is an investment holding company incorporated under the laws of British Virgin Islands with limited liability, and a wholly-owned subsidiary of China Sonangol International Limited. Save for the entering into of the Subscription Agreement, the Offeror has not conducted any business since its incorporation and has no material assets and liabilities. Ms. Lo Fong Hung is the sole director of the Offeror.

China Sonangol International Limited is a company incorporated under the laws of Hong Kong with limited liability which is principally engaged in the exploration, development, production and sale of crude oil, property and hotel investment, and investment holdings. It is beneficially owned as to 70% by New Bright International Development Limited and 30% by Sonangol E.P.. Ms. Lo Fong Hung, Ms. Fung Yuen Kwan, Veronica and Mr. Manuel Domingos Vincente are the directors of China Sonangol International Limited.

New Bright International Development Limited is ultimately and beneficially owned as to 30% by Ms. Lo Fong Hung and 70% by Ms. Fung Yuen Kwan, Veronica. It is a company incorporated under the laws of Hong Kong with limited liability which is principally engaged in investment holding. Ms. Lo Fong Hung and Ms. Fung Yuen Kwan, Veronica are the directors of New Bright International Development Limited. Ms. Lo Fong Hung and Ms. Fung Yuen Kwan, Veronica are business partners.

Sonangol E.P. is a 100% state-owned oil company of the Republic of Angola which is responsible for the management of oil and gas reserves in Angola.

The Company became acquainted with the Offeror through Baron. Prior to the entering into of the Subscription Agreement, neither the Offeror, its beneficial owners nor the parties acting in concert with any of them owned any Shares. Save for the entering into of the Subscription Agreement, none of the Offeror, its beneficial owners and parties acting in concert with any of them has dealt in any Shares during the Relevant Period.

The Offeror believes that the general management experience and network from the proposed Directors and the continuity of corporate strategies to improve the operating efficiency of the Group will bring more business opportunities to the Group in the future. Apart from maintaining the existing business of the Group, the Offeror 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 areas. However, there is no specific plan or target to which the Company is committed at present and no negotiation had been entered in this regard.

In view of the losses continuously suffered by the Group for the past few years, the Offeror will conduct a review on the financial positions and operations of the Group. At present, there is no plan for the Offeror to redeploy any fixed assets of the Group other than in its ordinary course of business. Although there is no plan to change the existing management structure and employees of the Group save for the resignation of Directors after the close of the Offers, new employees may be needed to help strengthening the corporate structure of the Group.

The Directors believe that, through completion of the Subscription Agreement, the Group could leverage on the financial and management resources and an extensive experience of China Sonangol International Limited, the shareholder of the Offeror in the oil industry, trading and properties investment areas to broaden the Group's business horizon. In addition, Sonangol E.P., being indirectly interested in 30% of the Offeror, is also believed to have strong industry network in the oil and natural resources businesses.

PROPOSED CHANGE OF BOARD COMPOSITION OF THE COMPANY

Pursuant to the Subscription Agreement, the Offeror has the right to appoint up to 4 Directors to the Board. It is presently expected that the Offeror will nominate new directors to replace all the existing Directors (including the independent non-executive Directors) and a new chairman or chief executive officer will be appointed to the Group. Any appointment of new directors to the Board will be made in full compliance with the requirements of the Takeovers Code.

All the existing Directors will resign with effect from the closing date of the Offers in full compliance with Rule 7 of the Takeovers Code.

Ms. Lo Fong Hung, Mr. Wang Xiangfei and Mr. Kwan Man Fai will be appointed as executive Directors and Mr. Wong Man Hin, Raymond, Mr. Lam Ka Wai, Graham and Mr. Chan Yiu Fai, Youdey will be appointed as independent non-executive Directors on the business day after the despatch of the Composite Offer Document.

Set out below are the biographical details of the proposed Directors to be nominated by the Offeror:

Executive Directors:

Ms. Lo Fong Hung ("Ms. Lo"), aged 52, currently serves as the chairperson of China International Fund Limited and the vice chairperson of China Sonangol International Holding Limited, China Sonangol International Limited and Endiama China International Holding Limited. Ms. Lo is also a director of several companies, namely Sonangol Sinopec International Limited, Dayuan International Development Limited, New Bright International Development Limited, World Pro Development Limited, World Noble Holdings Limited, CSG Automobile Limited and China Sonangol Asset Management Limited. Since 2004, Ms. Lo has served as the chairperson of China Beiya Escom International Limited in Hong Kong and started exploring and developing energy resources and industrial investment in Latin America and Africa. Ms. Lo ultimately and beneficially owns 30% shareholding interest in New Bright International Development Limited, which currently holds 70% of China Sonangol International Limited. China Sonangol International Limited is the holding company of the Offeror. Ms. Lo is the wife of Mr. Wang Xiangfei.

Mr. Wang Xiangfei ("Mr. Wang"), aged 56, graduated from Renmin University of China with a bachelor degree in economics in 1982. Apart from serving the Company as an executive Director, Mr. Wang is also the vice chief financial officer of Sonangol Sinopec International Limited and the financial advisor to China Sonangol International Limited. Mr. Wang is currently an independent non-executive director of several listed companies in Hong Kong, namely Chongqing Iron & Steel Company Limited, Tianjin Capital Environmental Protection Company Limited, China CITIC Bank Corporation Limited and SEEC Media Group Limited. Previously, Mr. Wang had also served as an independent non-executive director of Plus Holdings Limited and as an executive director of China Everbright International Limited, China Everbright Limited, HKC (Holdings) Limited and China Haidian Holdings Limited. Mr. Wang is the husband of Ms. Lo.

Mr. Kwan Man Fai ("Mr. Kwan"), aged 39, graduated from the University of Hong Kong with a bachelor degree in laws and a postgraduate certificate in laws. Mr. Kwan also holds a master degree in laws from The London School of Economics and Social Sciences, the University of London and a master degree in the PRC law from the City University of Hong Kong. Mr. Kwan is currently a partner of Messrs. Li & Partners, a law firm in Hong Kong. Mr. Kwan has over ten years of experience in corporate finance and banking work, including assisting various companies in their listing on the Main Board and Growth Enterprise Market of the Stock Exchange.

Mr. Kwan was an independent non-executive director of The Sun's Group Limited (the "**Sun's Group**") (Stock Code: 00988) during the period from 16 October 2002 to 28 February 2003. The Sun's Group is a company incorporated in Bermuda and is principally engaged in property investment, development and management and hotel operation. Pursuant to an announcement dated 14 April 2003 issued by the Sun's Group, the Sun's Group received winding up petitions on 11 April 2003 (within 12 months after Mr. Kwan's resignation) filed with the High Court of Hong Kong ("**High Court**") by the Sun's Group former director, Mr. Wong Kwan and his wholly-owned subsidiary, Charcon Assets Limited, respectively against the Sun's Group and its subsidiaries claiming outstanding remunerations and loans aggregated to a sum of HK$61,884,635.07 plus all interest accrued after their due dates or drawdown date. According to the Sun's Group announcement dated 28 September 2006, pursuant to two orders of the High Court dated 20 September 2006, the said petitions were dismissed and the provisional liquidators appointed were discharged.

The appointment of the proposed executive Directors is for a term of 3 years, and each of them will enter into a service contract with the Company and be entitled to a proposed director's emolument of HK$240,000 per annum and may be entitled to an annual management bonus of a sum to be determined by the Board at its discretion and limited to 5% of the consolidated net profits after taxation and minority interests but before extraordinary items as shown in the Group's audited consolidated accounts for the relevant financial year, which was determined with reference to the directors' duties and responsibilities in the Company. The relevant service contracts have not been signed as at the Latest Practicable Date.

Independent non-executive Directors:

Mr. Wong Man Hin, Raymond ("Mr. Wong"), aged 41, is a member of American Institute of Certified Public Accountants, a Certified Management Accountant (CMA) and holds a certificate in financial management (CFM). Mr. Wong holds a bachelor degree in chemical engineering and a master degree in economics. Mr. Wong is an executive director and deputy chairman of Raymond Industrial Limited, a company listed on the Main Board of the Stock Exchange. He is the independent non-executive director of Fulbond Holdings Limited and BEP International Holdings Limited (both companies listed on the Main Board of the Stock Exchange). He was an independent non-executive director of Era Information & Entertainment Limited (a company listed on the Growth Enterprise Market of the Stock Exchange) during the period from August 2007 to February 2008.

Mr. Lam Ka Wai, Graham ("Mr. Lam"), aged 40, graduated from the University of Southampton, England with a Bachelor of Science degree in Accounting and Statistics. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. Mr. Lam is currently a corporate finance director and a head of corporate finance of an investment bank and has around 14 years experience in investment banking as well as around 4 years experience in accounting and auditing. He is also an independent non-executive director of Cheuk Nang (Holdings) Limited (stock code: 131), Applied Development Holdings Limited (stock code: 519), China Conservational Power Holdings Limited (stock code: 290) and ZZNode Technologies Company Limited (stock code: 2371), all of which are companies listed on the Main Board of the Stock Exchange.

Mr. Chan Yiu Fai, Youdey ("Mr. Chan"), aged 38, graduated from the University of Hong Kong with a bachelor degree in laws and a postgraduate certificate in laws. Mr. Chan also holds master degrees in laws from the City University of Hong Kong and from the People's University of China. Mr. Chan is currently a partner of Messrs. David Y.Y. Fung & Co., a law firm in Hong Kong. Mr. Chan has extensive experience in civil and commercial crime litigation and also handles various transactions for corporate clients and banks in Hong Kong.

The appointment of the proposed independent non-executive Directors is for a term of 3 years, and each of them will enter into service contract with the Company and be entitled to a proposed director's fee of HK$240,000 per annum, which was determined with reference to the directors' duties and responsibilities in the Company and the market rate for the position. The relevant service contracts have not been signed as at the Latest Practicable Date.

Save as disclosed above, none of the proposed executive Directors and independent non-executive Directors had any directorship in listed companies in the last three years, and nor are they related to any director, senior management or substantial or controlling shareholder of the Company, or interested in any shares of the Company within the meaning of Part XV of the SFO as at the Latest Practicable Date. Each proposed Director has confirmed there is no other information relating to his/her appointment which is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules or matter which needs to be brought to the attention of the Shareholders.

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror intends that the Company shall remain listed on the Stock Exchange. The new Directors to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

The Offeror undertakes to the Stock Exchange that following the closing of the Offers, appropriate steps will be taken to ensure that not less than 25% of the Shares will be held by the public. When the Offers close, should there be less than 25% of the issued Shares in public hands, the Offeror will take appropriate steps which may include placing down part of its interests in the Company to independent third parties not connected with or acting in concert with the Offeror, its ultimate beneficial owners and associates, the directors, chief executives or substantial shareholders of the Company or any of their respective subsidiaries or any of their respective associates as soon as practicable after closing of the Offers.

The Stock Exchange has stated that if at the closing of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- **a false market exists or may exist in the trading of the Shares; or**

- **there are insufficient Shares in public hands to maintain an orderly market,**

it will consider exercising its discretion to suspend trading in the Shares until a level of sufficient public float is attained.

In this connection, it should be noted that upon closing of the Offers, there may be an insufficient public float for the Shares and, therefore, trading in the Shares may be suspended until a sufficient level of public float is attained.

RECOMMENDATION

Your attention is drawn to the "Letter from the Independent Board Committee" set out on pages 33 to 34 of the Composite Offer Document, which contains its recommendation to the Independent Shareholders, the Call Option Holder and the Share Option Holders in respect of the Offers and the "Letter from Veda Capital" set out on pages 35 to 55 of the Composite Offer Document which contains its advice to the Independent Board Committee in respect of the terms of the Offers, and the principal factors and reasons which it has considered before arriving at its advice to the Independent Board Committee.

You are also advised to read the appendices to the Composite Offer Document and the Form(s) of Acceptance in respect of the acceptance and settlement procedures of the Offers.

Yours faithfully,
For and on behalf of the Board
Artfield Group Limited
Leung Heung Ying, Alvin
Managing Director

ARTFIELD GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1229)

20 March 2008

To the Independent Shareholders,
the Call Option Holder and the Share Option Holders

Dear Sir or Madam,

UNCONDITIONAL MANDATORY CASH OFFERS BY BARON CAPITAL LIMITED FOR AND ON BEHALF OF ASCENT GOAL INVESTMENTS LIMITED FOR ALL ISSUED SHARES IN ARTFIELD GROUP LIMITED (OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED TO BE ACQUIRED BY ASCENT GOAL INVESTMENTS LIMITED AND PARTIES ACTING IN CONCERT WITH IT) AND ALL OUTSTANDING CALL OPTIONS AND SHARE OPTIONS OF ARTFIELD GROUP LIMITED

INTRODUCTION

We refer to the composite offer and response document dated 20 March 2008 jointly issued by Ascent Goal Investments Limited and Artfield Group Limited (the "Composite Offer Document"), of which this letter forms part. Terms defined in the Composite Offer Document shall have the same meanings when used in this letter unless the context otherwise requires.

As the Directors who are independent of the parties to the Offers, we have been appointed as members of the Independent Board Committee to consider whether, in our opinion, the terms of the Offers are fair and reasonable so far as the Independent Shareholders, the Call Option Holder and the Share Option Holders are concerned, and to make recommendations to the Independent Shareholders, the Call Option Holder and the Share Option Holders in connection with the Offers. Veda Capital has been appointed as the independent financial adviser to advise us in respect of the terms of the Offers.

We wish to draw your attention to the "Letter from the Board", "Letter from Baron", "Letter from Veda Capital" and the additional information set out in the appendices to the Composite Offer Document.

RECOMMENDATION

Having taken into account the principal factors and reasons considered by, and the advice of Veda Capital as set out in their letter of advice, we consider that the terms of the Offers are fair and reasonable so far as the Independent Shareholders, the Call Option Holder and the Share Option Holders are concerned. Accordingly, we recommend the Independent Shareholders, the Call Option Holder and the Share Option Holders to accept the Offers.

Yours faithfully,
The Independent Board Committee
Lo Ming Chi, Charles **Orr Joseph Wai Shing** **Wong Ngao San, Marcus**
Independent non-executive Directors

The following is the full text of a letter of advice from Veda Capital to the Independent Board Committee in relation to the Offers, which has been prepared for the purpose of inclusion in the Composite Offer Document.

VEDA | CAPITAL
智略資本

Veda Capital Limited
Suite 809, 8/F.
Shui On Centre
8 Harbour Road
Wanchai, Hong Kong

20 March 2008

To the Independent Board Committee of
Artfield Group Limited

Dear Sirs,

UNCONDITIONAL MANDATORY CASH OFFERS BY BARON CAPITAL LIMITED FOR AND ON BEHALF OF ASCENT GOAL INVESTMENTS LIMITED FOR ALL THE ISSUED SHARES (OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED TO BE ACQUIRED BY ASCENT GOAL INVESTMENTS LIMITED AND PARTIES ACTING IN CONCERT WITH IT) AND ALL OUTSTANDING CALL OPTIONS AND SHARE OPTIONS OF ARTFIELD GROUP LIMITED

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee in relation to the Offers, details of which are set out in the "Letter from the Board" and the "Letter from Baron" contained in the Composite Offer Document dated 20 March 2008 to the Independent Shareholders, the Call Option Holder and the Share Option Holders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Composite Offer Document unless the context requires otherwise.

On 28 January 2008, the Offeror and the Company jointly announced that the Company and the Offeror entered into the Subscription Agreement on 15 January 2008. The Company (i) has conditionally agreed to allot and issue to the Offeror, and the Offeror has conditionally agreed to subscribe in cash consideration of HK$80,000,000 for a total of 400,000,000 Shares at the subscription price of HK$0.20 per Subscription Share; and (ii) has conditionally agreed to issue to the Offeror, and the Offeror has conditionally agreed to subscribe for, the Convertible Bond in the principal amount of HK$200,000,000 simultaneously upon completion of the issue and allotment of the Subscription Shares. The Subscription Shares is conditional upon, among other things, approval of the Subscription Agreement by the Shareholders at the SGM.

At the SGM held on 10 March 2008, the ordinary resolutions approving the Subscription Agreement and the transactions contemplated thereunder (including the issue and allotment of the Subscription Shares, the issue of the Convertible Bond, and the issue and allotment of the Conversion Shares) were duly passed by the Shareholders. Completion took place on 14 March 2008 and the Offeror had subscribed for 400,000,000 Shares under the Subscription. As a result, the Offeror, its ultimate beneficial owners and associates and parties acting in concert with any of them had acquired approximately 56.78% of the voting rights of the Company as enlarged by the Share Subscription.

Under Rules 26 and 13 of the Takeovers Code, the Offeror is obliged to make the Offers, being the Share Offer for all issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) and comparable offers to the Call Option Holder and the Share Option Holders for all the outstanding Call Options and Share Options respectively. The Offers are unconditional in all aspects and are solely in cash.

The Share Offer is being made at HK$1.30 per Share, the Call Option Offer is being made at HK$0.135 per Call Option and the Share Option Offer is being made at (i) HK$0.154 for each Share Option with exercise price at HK$1.146 per Share; and (ii) HK$0.04 for each Share Option with exercise price at HK$1.26 per Share. Baron is making the Offers on behalf of the Offeror. Detailed terms and conditions of the Offers, including the procedures for acceptance, are set out in the Composite Offer Document, in particular in the "Letter from the Board"; the "Letter from Baron" and Appendix I to the Composite Offer Document.

The Independent Board Committee (comprising all the independent non-executive Directors, namely Mr. Lo Ming Chi, Charles, Mr. Orr Joseph Wai Shing and Mr. Wong Ngao San, Marcus) has been formed to advise the Independent Shareholders, the Share Option Holders and the Call Option Holder on the terms of the Offers. We have been appointed as the independent financial adviser to advise the Independent Board Committee in respect of the Offers and such appointment has been approved by the Independent Board Committee.

BASIS OF OUR ADVICE

In formulating our opinion and recommendations, we have relied on the accuracy of the information, opinions and representations contained or referred to in the Composite Offer Document and provided to us by the Company, the Directors and the management of the Company. We have assumed that all information, opinions and representations contained or referred to in the Composite Offer Document were true and accurate at the time when they were made and continued to be true and accurate as at the respective dates of the Composite Offer Document. We have also assumed that all statements of belief, opinion and intention made by the Directors and the Offeror in the Composite Offer Document were reasonably made after due enquiries and considerations. We have no reasons to doubt that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. We consider that we have reviewed sufficient information to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in the Composite Offer Document to provide a reasonable basis for our opinions and recommendations. The Directors have confirmed that having made all reasonable enquiries, to the best of their knowledge, there are no other facts or representations the omission of which would make any statement in the Composite Offer Document, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Company, the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs, financial condition and future prospects of the Group and/or the Offeror.

In formulating our opinion, we have not considered the taxation implications on the Independent Shareholders, the Share Option Holders and the Call Option Holder arising from acceptances or non-acceptances of the Offers as these are particular to their individual circumstances. It is emphasized that we will not accept responsibility for any tax effect on or liability of any person resulting from his or her acceptance or non-acceptance of the Offers. In particular, the Independent Shareholders, the Share Option Holders and the Call Option Holder who are overseas residents or are subject to overseas taxation or Hong Kong taxation on securities dealings should consult their own tax positions, and if in any doubt, should consult their own professional advisers.

In formulating our opinions, we have made reference to the Business Comparables (as defined hereafter) which are listed on the Stock Exchange for analysis purpose and we have assumed the truthfulness and accuracy of the information available to us regarding the Business Comparables. We have not, however, carried out any independent verification of the information available to us regarding the Business Comparables, nor have we conducted an independent investigation into the business and affairs, financial condition and future prospects of the Business Comparables. Our opinions are necessarily based upon the financial, economic, market, regulatory and other conditions as they existed on, and the facts, information, representations, and opinions made available to us as of the Latest Practicable Date.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In assessing the Offers and in giving our recommendations to the Independent Board Committee, we have taken into account the following principal factors and reasons:

Historical financial performance and prospects of the Group

The Company, incorporated in Bermuda with limited liability, is an investment holding company and its issued Shares are listed on the Main Board of the Stock Exchange. The principal activities of the Group are marketing and trading of clocks and other office related products, lighting products and trading of metals.

(i) Financial year ended 31 March 2006 versus financial year ended 31 March 2005

For the year ended 31 March 2006, the Group recorded turnover of approximately HK$221.1 million, representing a decrease of approximately 7.2% from that for the year ended 31 March 2005 of approximately HK$238.3 million. The Group reported a loss of approximately HK$72.1 million for the year ended 31 March 2006, representing a severe worsening off of approximately 29.9 times from a loss of approximately HK$2.4 million for the year ended 31 March 2005. According to the annual report of the Company for the year ended 31 March 2006 ("2006 Annual Report"), the loss was mainly a result of recognizing the impairment loss of approximately HK$23.8 million in respect of the disposal of 49% equity interests in Success Start Holdings Limited; the impairment loss of approximately HK$17.0 million in respect of goodwill and the review of the Group's inventory value in view of the effective of the restriction of the use of certain hazardous substances in electrical and electronic equipment directive from 1 July 2006 in European Community. The Group's inventory was decreased by approximately HK$16.5 million from approximately HK$95.6 million as at 31 March 2005 to approximately HK$79.1 million as at 31 March 2006.

(ii) ***Financial year ended 31 March 2007 versus financial year ended 31 March 2006***

For the year ended 31 March 2007, the Group recorded turnover of approximately HK$173.4 million, representing a decrease of approximately 21.6% from that of the year ended 31 March 2006 of approximately HK$221.1 million. Such decrease was attributable to the decrease in turnover of all lines of business of the Group: turnover for (i) clocks and other office related products decreased by approximately HK$21.2 million or approximately 13.6% from that of the previous financial year; (ii) lighting products decreased by approximately HK$12.0 million or approximately 58.4% from that of the previous financial year; (iii) trading of metals decreased by approximately HK$10.5 million or approximately 35.6% from that of the previous year. Service fee from the discontinued operation of electroplating services decreased by approximately HK$4.0 million or approximately 26.1% as compared with the previous financial year. The loss for the year ended 31 March 2007 was approximately HK$142.8 million, representing a worsening off of approximately 73.06% from that of the year ended 31 March 2006 of approximately HK$72.1 million. As stated in the annual report of the Company for the year ended 31 March 2007 ("2007 Annual Report"), the widening loss was mainly attributable to the allowance for bad and doubtful debts against a customer in the metal trading business of approximately HK$30.4 million and the write down of inventories of approximately HK$27.6 million as a result of the disposal of the manufacturing operations and the impairment loss recognized in respect of intangible asset of approximately HK$46.4 million.

(iii) ***Six months ended 30 September 2007 versus six months ended 30 September 2006***

For the six months ended 30 September 2007, the Group recorded a turnover of approximately HK$72.1 million, representing a decrease of approximately 14.5% from the turnover for the six months ended 30 September 2006 of approximately HK$84.3 million. The decrease in turnover of the Group for the six months ended 30 September 2007 was due to the decreases in turnovers for the lighting products business of approximately HK$4.1 million and trading business of approximately HK$6.8 million. The Group reported net loss attributable to the Shareholders of approximately HK$10.4 million for the six months ended 30 September 2007 compared to a loss attributable to the Shareholders of approximately HK$12.0 million for the same period in 2006. The net loss incurred for the six months ended 30 September 2007 was mainly attributable to the decrease of approximately 45% 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 for the previous year.

(iv) Prospects and outlook

As noted from the 2006 Annual Report and the 2007 Annual Report, the Group has been suffering continuous and increasing losses since financial year 2002 (except for the year ended 31 March 2003, the Group reported a profit of approximately HK$2.2 million). As stated in the 2006 Annual Report and the 2007 Annual Report, the Group has encountered difficult operating environment with respect to its traditional manufacturing operations due to ever escalation of material costs, labour and overhead costs, persistent appreciation of Renminbi and increasingly stringent custom and regulatory controls of the PRC government towards importing of materials into, and exporting of products out of, the PRC, where the Group's manufacturing operations were based. The Group hence disposed of the manufacturing operation of the lighting products division in June 2006, the original equipment manufacturing operations and facilities of clocks and other office related products division as well as the entire operation of the electroplating services division in March 2007.

As set out in the interim report of the Group for the six months ended 30 September 2007, the Group endeavors to broaden and expand its scope of business and income stream. The Directors intend to use the net proceeds from the Subscriptions of HK$240 million for future business investments particularly in the natural resources and/or PRC properties areas. However, there is no specific plan or target to which the Company is committed at present. We are of the view that the future investment plan of the Group is uncertain. We consider that we are not in the position to opine on the future investment opportunities of the Group.

The Share Offer

Pursuant to Rule 26 of the Takeovers Code, Baron, on behalf of the Offeror, is making the Share Offer on the following basis:

For each Offer Share . . . . HK$1.30 in cash

The Share Offer Price of HK$1.30 for each Share was determined with reference to the average closing price of approximately HK$1.38 per Share for the ten consecutive trading days up to and including the Last Trading Day and represents:

(a) a discount of approximately 13.9% to the closing price of HK$1.51 per Share as quoted on the Stock Exchange on the Last Trading Day;

(b) a discount of approximately 5.1% to the average of the closing price of approximately HK$1.37 per Share for the last five consecutive trading days up to and including the Last Trading Day;

(c) a discount of approximately 5.8% to the average closing price of approximately HK$1.38 per Share for the last ten consecutive trading days up to and including the Last Trading Day;

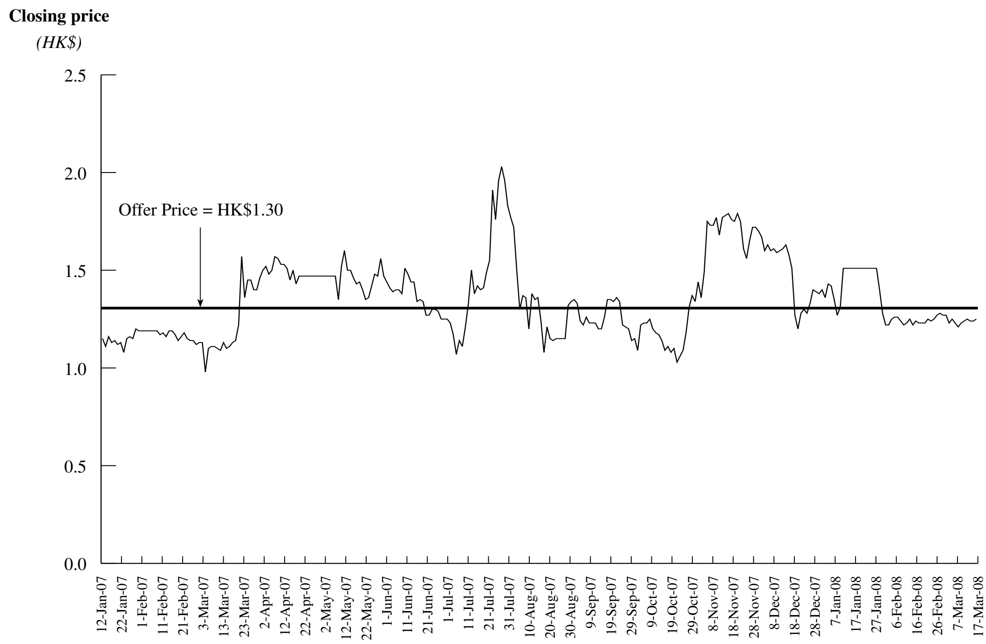
(d) a premium of approximately 1,666.7% over the audited consolidated net asset value of approximately HK$0.07358 per Share as at 31 March 2007 (based on 704,478,584 Shares in issue as at the Latest Practicable Date); and

(e) a premium of 4% over the closing price of HK$1.25 per Share as quoted by the Stock Exchange on the Latest Practicable Date.

Further terms and conditions of the Share Offer, including the procedures for acceptance, are set out in the "Letter from Baron" and Appendix I to the Composite Offer Document.

Historical Share price performance

The graph below illustrates the closing price levels of the Shares during the period from 12 January 2007 (being the 12 calendar months period prior to the Last Trading Day) to the Latest Practicable Date (the "Review Period").



Note: Trading of the Shares was suspended between 1 and 6 February 2007, between 23 April and 9 May 2007, between 24 and 28 August 2007 and between 14 and 28 January 2008.

Source: website of the Stock Exchange (www.hkex.com.hk)

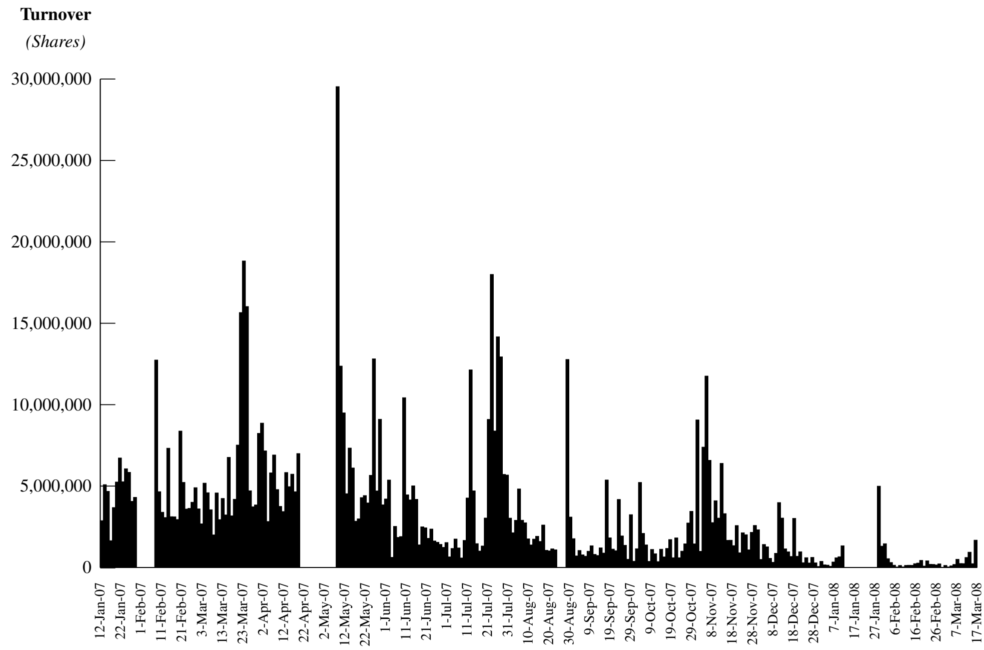
During the Review Period, the closing price of the Shares had been fluctuating between the lowest of HK$0.98 per Share (recorded on 5 March 2007) to the highest of HK$2.03 (recorded on 30 July 2007). As can been seen from the graph above, the trend of the closing price of the Shares had been quite random with no sustainable increasing or decreasing trend over the Review Period. During the Review Period, the Company released several announcements dated 21 March 2007, 16 July 2007, 25 July 2007 and 29 August 2007 respectively stating that it was not aware of any reasons for the increase in trading price of the Shares and there were no negotiations or agreement relating to intended acquisition or realizations which were discloseable under the Listing Rules. Closing price of the Shares reached HK$1.75 on 6 November 2007 and in an announcement of the Company dated 6 November 2007, the Board stated that the Company was approached by an independent third party regarding a proposed subscription of shares of the Company and it was stated that Company was having a preliminary negotiation with this independent third party and no agreement had been reached so far then.

On the Last Trading Day when trading of the Shares was suspended pending the release of the Announcement, the Shares closed at HK$1.51 per Share. Upon resumption of trading of the Shares on 29 January 2008 after release of the Announcement, closing price of the Shares dropped to HK$1.40 per Share and further decreased down to between the range of HK$1.21 to HK$1.28 per Share thereafter and until the Latest Practicable Date. The Share Offer Price of HK$1.30 per Shares represents (i) a slight discount of approximately 3.95% to the average closing price of approximately HK$1.353 per Share during the Review Period; (ii) a premium of approximately 4.18% over the average closing price of the Shares of approximately HK$1.2479 after the release of the Announcement; and (iii) a premium of 4% over the closing price of the Shares of HK$1.25 on the Latest Practicable Date.

Given that (i) the Share Offer Price represents a slight premium of 4% over the closing price on the Latest Practicable Date; (ii) the Share Offer Price represents a premium of approximately 4.18% over the average closing price of the Shares of approximately HK$1.2479 after the release of the Announcement; (iii) the Share Offer Price represents only a slight discount of approximately 3.95% to the average closing price of approximately HK$1.353 per Share during the Review Period; (iv) low liquidity of the Shares during the Review Period (as detailed in the section headed "Liquidity of the Shares" below); and (v) the recent unstable conditions in the Hong Kong stock market, we are of the view that the Share Offer Price is fair and reasonable to the Independent Shareholders.

Liquidity of the Shares

The graph below plotted the daily trading volume of the Shares and the table below set out the average daily number of Shares traded per month and the respective percentages of monthly trading volume compared to the issued share capital and the number of issued Shares held by the Independent Shareholders as at the Latest Practicable Date respectively during the Review Period.



Note: Trading of the Shares was suspended between 1 and 6 February 2007, between 23 April and 9 May 2007, between 24 and 28 August 2007 and between 14 and 28 January 2008.

Source: website of the Stock Exchange (www.hkex.com.hk)

	Average daily trading volume	Percentage to the total number of issued Shares	Percentage to the number of issued Shares held by the Independent Shareholders
		(Note 1)	*(Note 2)*
	(Shares)	*(%)*	*(%)*
2007			
January	4,508,455	0.64	2.40
February	3,898,444	0.55	2.08
March	6,283,973	0.89	3.35
April	3,495,500	0.50	1.86
May	5,726,000	0.81	3.05
June	3,186,100	0.45	1.70
July	5,053,254	0.72	2.69
August	2,490,000	0.35	1.33
September	1,571,895	0.22	0.84
October	1,466,190	0.21	0.78
November	3,474,711	0.49	1.85
December	1,112,947	0.16	0.59
2008			
January (up to the Last Trading Day)	466,250	0.07	0.25
January (since the resumption of trading of the Shares on 29 January)	2,594,000	0.37	1.38
February	204,466	0.03	0.11
March (up to and including the Latest Practicable Date)	450,182	0.06	0.24

Notes:

1. Based on 704,478,584 Shares in issue as at the Latest Practicable Date.

2. Based on 187,794,284 issued Shares held by the Independent Shareholders as at the Latest Practicable Date.

3. Trading of the Shares was suspended between 1 and 6 February 2007, between 23 April and 9 May 2007, between 24 and 28 August 2007 and between 14 and 28 January 2008

Source: website of the Stock Exchange (www.hkex.com.hk)

As illustrated in the table above, the trading volume of the Shares from the beginning of the Review Period to the Last Trading Day had been thin and was in the range of approximately 0.03% to approximately 0.89% as to the total number of issued Shares as at the Latest Practicable Date and approximately 0.11% to approximately 3.05% as to the total number of the Shares held by the Independent Shareholders as at the Latest Practicable Date. The average daily trading volume of Shares since 29 January 2008, being the first trading day after release of the Announcement, until the Latest Practicable Date still remained thin and ranged between approximately 0.03% and approximately 0.37% of the total number of issued Shares and approximately 0.11% and approximately 1.38% of the number of Shares held by the Independent Shareholders respectively. Trading volume of the Shares on the Latest Practicable Date amounted to 1,684,000 Shares, representing 0.24% of the total number of issued Shares and approximately 0.90% of the number of Shares held by the Independent Shareholders respectively.

Given the low liquidity of the Shares, we consider that for the Independent Shareholders who may wish to realize their investment in the Company, especially those with relatively sizeable shareholdings, might not be able to do so without having an adverse impact on the market price level of the Shares. Therefore, we consider that the Share Offer provides a valid exit for the Independent Shareholders who would like to realize their investment in the Shares. Nevertheless, Independent Shareholders who intend to dispose part or all of their Shares are reminded to closely monitor the market price and the liquidity of the Shares during the Offer Period and consider selling their Shares in the open market, instead of accepting the Share Offer, if the net proceeds from the disposal of such Shares in the open market would exceed that receivable under the Share Offer.

Comparable analysis

In assessing the fairness and reasonableness of the Share Offer, we have identified all the comparable companies (the "Business Comparables") (a total of 13) which are principally engaged in similar line of business as the Group, i.e. (a) marketing and trading of clocks and other office related products; (b) lighting products; and (c) trading of metals. Our findings on the 13 Business Comparables are summarized below:

Company name (Stock code)	Principal business	Closing share price as at the Latest Practicable Date *(HK$)*	Market capitalisation as at the Latest Practicable Date *(HK$ million)*	Latest audited net asset value prior to the Latest Practicable Date *(HK$)*	Price-earnings ratio *(times)*	Price to sales ratio *(times)*	Premium/(Discount) of market capitalisation to latest net assets value *(%)*
Asia Commercial Holdings Limited (104)	Trading and retailing of watches and property leasing	0.75	450.5	119.9	Not applicable since loss making	1.22	275.8
EganaGoldpfeil (Holdings) Limited (48)	Design, assembly, manufacturing and distribution of timepieces and jewellery; manufacturing and distribution of leather products; trading of timepiece components, jewellery and consumer electronic products	0.66	966.2	321.3	Not applicable since loss making	0.14	200.8
National Electronics Holdings Limited (213)	Manufacturing, assembly and sale of electronic watches, watch movements and watch parts, property development, trading and investment	0.475	475.7	505.6	4.2	0.45	(5.9)
Oriental Watch Holdings Limited (398)	Watch trading	3.00	960.8	849.8	10.1	0.36	13.1
Peace Mark (Holdings) Limited (304)	Manufacture and trading of timepieces	6.4	6,672.6	1,806.5	22.2	2.19	269.4
Sincere Watch (Hong Kong) Limited (444)	Brand management and wholesale distribution of watches in Hong Kong, Macau and the PRC	0.95	387.6	211.9	8.9	0.82	82.9
Stelux Holdings International Limited (84)	Property investment, development, management; project consultancy; watch retailing, distribution, assembling; glass & related optical gears retailing; infant wear marketing & retailing	0.77	732.5	737.7	7.2	0.41	(0.7)
Xinyu Hengdeli Holdings Limited (3389)	Wholesale and retail of watches in the PRC	3.22	8,000.1	1,575.1	37.6	3.04	407.9

Company name (Stock code)	Principal business	Closing share price as at the Latest Practicable Date *(HK$)*	Market capitalisation as at the Latest Practicable Date *(HK$ million)*	Latest audited net asset value prior to the Latest Practicable Date *(HK$)*	Price-earnings ratio *(times)*	Price to sales ratio *(times)*	Premium/ (Discount) of market capitalisation to latest net assets value *(%)*
Bright International Group Limited (1163)	Design, manufacture and sale of lighting products	0.60	308.7	453.4	5.6	0.38	(31.9)
Burwill Holdings Limited (24)	Metal trading, manufacturing of metal products, operation of metal exchange portals, property development and investment	0.335	372.6	960.4	2.5	0.08	(61.2)
Lung Kee (Bermuda) Holdings Limited (255)	Manufacture and marketing of mould bases and trading of metal and parts	3.15	1,953.0	1,244.4	13.0	17.66	57.0
Minmetals Resources Limited (1208)	Trading of non-ferrous metals as well as the industrial investments related to non-ferrous metals	2.77	5,704.0	4,225.4	6.6	0.44	35.0
Wonson International Holdings Limited (651)	Metal trading, sales of communication products and investment in securities	0.129	2,218.6	145.7	Not applicable since loss making	265.58 (excluded in the comparison as being an extreme outliner)	1,423.1 (excluded in the comparision as being an extreme outliner)
				Highest	**37.6**	**17.66**	**407.9**
				Lowest	**2.5**	**0.08**	**(61.2)**
				Average	**11.8**	**2.27**	**167.7** (average of the premium)
Share Offer with the Share Offer Price of HK$1.30 per Share		**1.30**	**915.8** *(Note)*	**51.8**	**Not applicable since loss making**	**5.65**	**1,666.7**

Note: Valuation of the Company using the Share Offer Price based on 704,478,584 Shares in issue as at the Latest Practicable Date.

Source: website of the Stock Exchange (www.hkex.com.hk)

(a) Price-earnings ratio

Although price-earnings multiple is one of the most commonly used benchmarks for valuing a company, since the Group recorded net loss for the year ended 31 March 2007, we consider the use of price-earnings multiple not a meaningful comparison method for assessing the Share Offer Price.

(b) Price to sales ratio

As shown in the above table, the price to sales ratio of the 12 valid Business Comparables range from approximately 0.08 times to approximately 17.66 times with an average of approximately 2.27 times. The price to sales ratio represented by the Share Offer Price is approximately 5.65 times which lies within the range of price to sales ratios of the 12 valid Business Comparables and is higher than that of the average of the 12 valid Business Comparables of approximately 2.27 times. In this regard, we are of the view that the Share Offer Price is fair and reasonable to the Independent Shareholders.

(c) Net asset value

The premiums/(discounts) of the market capitalisation on the Latest Practicable Date over/(to) the net asset value of the 12 valid Business Comparables range from a premium of approximately 407.9% to a discount of 61.2%, with the average of the premiums of approximately 167.7%. The value of the Company based on the Share Offer Price represents a premium of approximately 1,666.7% over the audited net asset value of the Group as at 31 March 2007, which is much higher than the average of the premiums of the market capitalization on the Latest Practicable Date over the net asset value of the 12 valid Business Comparables of 167.7%. In this regard, we are of the view that the Share Offer Price is fair and reasonable to the Independent Shareholders.

None of the Business Comparables was the subject of general cash offer during the Review Period. Instead, the Company has been the subject of another general cash offer (the "Previous Share Offer") as announced on 9 May 2007 with the relevant details summarized and compared to the Share Offer as follows:

	Date of announcement	Share offer price *(HK$)*	Closing price as at the last trading day *(HK$)*	Latest turnover per share prior to the date of the offer document *(HK$)*	Latest net asset value per share prior to the date of the offer document *(HK$)*	Premium/ (discount) of share offer price over/(to) closing price as at the last trading day *(%)*	Price to sales ratio *(times)*	Premium/ (discount) of share offer price over/(to) latest published net asset value per share *(%)*
The Previous Share Offer	9 May 2007	0.55	1.47	0.73	0.575	(62.59)	0.76	(4.35)
The Share Offer	28 Jan 2008	1.30	1.51	0.23	0.074	(13.9)	5.65	1,666.7

As can be seen from the above comparable table, the Share Offer Price represents a discount of approximately 13.9% to the closing price of the Share on the Last Trading Day, which is less than the discount represented by the share offer price of the Previous Share Offer to the closing price of the Share on the then last trading day of approximately 62.59%. The price to sales ratio represented by the Share Offer Price over the latest turnover per Share of approximately 5.65 times is higher than the price to sales ratio represented by the share offer price of the Previous Share Offer over the then latest turnover per Share of approximately 0.76 times. In addition, the Share Offer Price represents a substantial premium of approximately 1,666.7% over the latest net asset value per Share while the share offer price of the Previous Share Offer represented a discount of approximately 4.35% to the then latest net asset value per Share. In these regards, we consider the Share Offer is fair and reasonable so far as the Independent Shareholders are concerned.

Background of the Offeror and its intention regarding the future of the Group

(a) Information on the Offeror

The Offeror is an investment holding company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of China Sonangol International Limited. Save for entering into of the Subscription Agreement, the Offeror has not conducted any business since its incorporation and does not have any material assets and liabilities. Ms. Lo Fong Hung ("Ms. Lo") is the sole director of the Offeror.

China Sonangol International Limited is a company incorporated under the laws of Hong Kong with limited liability which is principally engaged in the exploration, development, production and sale of crude oil, property and hotel investment, and investment holdings. It is beneficially owned as to 70% by New Bright International Development Limited and 30% by Sonangol E.P.. Ms. Lo, Ms. Fung Yuen Kwan, Veronica ("Ms. Fung") and Mr. Manuel Domingos Vincente are the directors of China Sonangol International Limited.

New Bright International Development Limited is ultimately and beneficially owned as to 30% by Ms. Lo and 70% by Ms. Fung. It is a company incorporated under the laws of Hong Kong with limited liability which is principally engaged in investment holdings. Ms. Lo and Ms. Fung are the directors of New Bright International Development Limited, Ms. Lo and Ms. Fung are business partners.

Sonangol E.P. is a 100% state-owned oil company of the Republic of Angola which is responsible for the management of oil and gas reserves in Angola.

(b) Intention of the Offeror

As stated in the "Letter from Baron", it is the intention of the Offeror to continue the existing businesses of the Group. The Offeror will also 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 areas. However, there is no specific plan or target to which the Company is committed at present and no negotiation has taken place in this regards.

The Offeror will conduct a review on the financial position and operations of the Group in view of the continuous loss recorded by the Group for the past few years. The new Directors to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps following the close of the Offers to ensure that sufficient public float exists in the Shares. As such, we consider that there should not be any material changes on the business operations and the listing status of the Group immediately following the close of the Offers.

(c) Directors and management

As stated in the "Letter from Baron", save for the resignation of the existing Directors as referred to in the section headed "Proposed change of board composition of the Company" in the "Letter from Baron", the Offeror had at the Latest Practicable Date, no intention to make any material changes to the existing management, re-deploy the employees or dispose or re-deploy the assets of the Group other than in its ordinary course of business. The existing Directors will resign with effect from the closing date of the Offers in full compliance with Rule 7 of the Takeovers Code.

The Offeror intends to nominate Ms. Lo, Mr. Wang Xiangfei and Mr. Kwan Man Fai as executive Directors and Mr. Wong Man Hin, Raymond, Mr. Lam Ka Wai, Graham and Mr. Chan Yin Fai, Youdey as independent non-executive Directors on the business day after the despatch of the Composite Offer Document.

The biographical details of the new Directors are set out in the "Letter from Baron". We note that the new Directors to be appointed to the Board may not have the directly relevant experience in the industry for which the Company is currently principally engaged.

Recommendation for the Share Offer

Taking into consideration the above-mentioned principal factors and reasons of the Share Offer, being:

(i) the continuous and increasing loss making situation of the Group during the three financial years ended 31 March 2005, 2006 and 2007 and six months ended 30 September 2007;

(ii) the Share Offer Price of HK$1.30 per Shares represents only a slight discount of approximately 3.95% to the average closing price of approximately HK$1.353 per Share during the Review Period;

(iii) the trading liquidity of the Shares has been thin during the Review Period, including the trading days after the release of the Announcement;

(iv) the value of the Company based on the Share Offer Price represents a premium of approximately 1,666.7% over the audited net asset value of the Group as at 31 March 2007, which is more than the average of the premiums of the market capitalization on the Latest Practicable Date over the net asset value of the Business Comparables of 167.7%;

(v) the Share Offer Price of HK$1.30 represents a discount of 13.9% to the closing price of the Shares as at the Last Trading Day, which is less than the discount represented by the share offer price of the Previous Share Offer to the closing price of the Share on the then last trading day of approximately 62.59%;

(vi) the price to sales ratio represented by the Share Offer Price is approximately 5.65 times which lies within the range of price to sales ratios of the 12 valid Business Comparables and is higher than that of the average of the 12 valid Business Comparables of approximately 2.27 times;

(vii) the price to sales ratio represented by the Share Offer Price over the latest turnover per Share of approximately 5.56 times is higher than the price to sales ratio represented by the share offer price of the Previous Share Offer over the then latest turnover per Share of approximately 0.76 times;

(viii) the Share Offer Price of HK$1.30 represents a substantial premium of 1,666.7% to the audited net assets per Share while the share offer price of the Previous Share Offer represented a discount of approximately 4.35% to the then latest net asset value per Share; and

(ix) there should not be any material changes on the business operations and the listing status of the Group immediately following the close of the Offers and the new Directors to be appointed to the Board may not have the directly relevant experience in the industry for which the Company is currently principally engaged,

we are of the opinion that the Share Offer is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to accept the Share Offer.

The Independent Shareholders, in particular those who intend to accept the Share Offer, are reminded to note the recent fluctuation in the Share price after the release of the Announcement, and that there is no guarantee that the current market price will or will not sustain and will or will not be higher than the Share Offer Price during and after the Offer Period. The Independent Shareholders who intend to accept the Share Offer are reminded to closely monitor the market price and the liquidity of the Shares during the Offer Period and shall, having regard to their own circumstances, consider selling their Shares in the open market, instead of accepting the Share Offer, if the net proceeds from the sale of such Shares would be higher than that receivable under the Share Offer.

Given the Share Offer Price represents a premium of approximately 4.18% over the average closing price of the Shares of approximately HK$1.2479 after the release of the Announcement as detailed above and the low liquidity of the Shares during the Review Period, we would like to remind the Independent Shareholders who may wish to realize their investments in the Shares that they might not be able to do so, especially those with sizeable shareholdings, in the open market, without adversely affecting the market price level of the Shares. Thus, the Share Offer represents a valid exit for the Independent Shareholders who would like to realize their investments in the Shares. We would like to remind the Independent Shareholders that there is no guarantee whether the current market price of the Shares will sustain or will not sustain and will or will not be higher than the Share Offer Price during and after the Offer Period.

Call Option Offer

Pursuant to Rule 13 of the Takeover Code, Baron, on behalf of the Offeror, is making the Call Option Offer on the following basis:

For transfer of each of 60,895,700 Call Options with exercise price at HK$1.165 per Share .... HK$0.135 per Call Option in cash

The principle of equality of treatment has been applied under the Takeovers Code, i.e. a "see through" price has been adopted to make the Call Option Offer, in this circumstance, the intrinsic value for the outstanding Call Options at a practicable "see through" price. The offer prices of the Call Option Offer represent the differences between the exercise price of the Call Options outstanding of HK$1.165 per Share and the Share Offer Price of HK$1.30 because the exercise prices under the outstanding Call Options is lower than the Share Offer Price and thus are "in-the-money". As we are of the opinion that the Share Offer Price is fair and reasonable, we consider the offer prices for the Call Option Offer are fair and reasonable as well and advise the Independent Board Committee to advise the Call Option Holder to accept the Call Option Offer.

Share Option Offer

As at the Latest Practicable Date, there were 6,089,570 Share Options outstanding entitling the Share Option Holders to subscribe for 6,089,570 Shares at the exercise prices of HK$1.146 and 3,040,000 Share Options outstanding entitling the Share Option Holders to subscribe for 3,040,000 Shares at the exercise prices of HK$1.26 per Share respectively.

Pursuant to Rule 13 of the Takeover Code, Baron, on behalf of the Offeror, is making the Share Option Offer on the following basis:

For cancellation of each of 6,089,570 Share Options with exercise price at HK$1.146 per Share .... HK$0.154 per Share Option in cash

For cancellation of each of 3,040,000 Share Options with exercise price at HK$1.26 per Share .... HK$0.04 per Share Option in cash

The principle of equality of treatment has been applied under the Takeovers Code, i.e. a "see through" price has been adopted to make the Share Option Offer, in this circumstance, the intrinsic value for the outstanding Share Options at a practicable "see through" price. The offer prices of the Share Option Offer represent the differences between the exercise prices of the Share Options outstanding of HK$1.146 per Share and HK$1.26 per Share respectively and the Share Offer Price of HK$1.30 because the exercise prices under the outstanding Share Options is lower than the Share Offer Price and thus are "in-the-money". As we are of the opinion that the Share Offer Price is fair and reasonable, we consider the offer prices for the Share Option Offer are fair and reasonable as well and advise the Independent Board Committee to advise the Share Option Holders to accept the Share Option Offer.

The Independent Shareholders, the Share Option Holders and the Call Option Holder should read carefully the procedures for accepting the Offers detailed in Appendix I to the Composite Offer Document.

Yours faithfully,
For and on behalf of
Veda Capital Limited
Hans Wong
Managing Director

1. TERMS OF THE OFFERS

Procedures for acceptance of the Share Offer

(a) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Share Offer, you must send the accompanying **WHITE** Form of Acceptance duly completed together with the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar marked "Artfield Share Offer" on the envelope.

(b) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Share Offer in respect of your Shares, you must either:

(i) lodge your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Share Offer, on your behalf and requesting it to deliver the accompanying **WHITE** Form of Acceptance duly completed together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

(ii) arrange for the Shares to be registered in your name by the Company through the Registrar and send the accompanying **WHITE** Form of Acceptance duly completed together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

(iii) if your Shares have been lodged with your licensed securities dealer (or other registered dealer in securities)/custodian bank through CCASS, instruct your licensed securities dealer (or other registered dealer in securities)/custodian bank to authorise HKSCC Nominees Limited to accept the Share Offer on your behalf on or before the deadline set out by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer (or other registered dealer in securities)/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer (or other registered dealer in securities)/custodian bank as required by them; or

(iv) if your Shares have been lodged with your Investor Participant Account with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set out by HKSCC Nominees Limited.

(c) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your Share certificate(s) and you wish to accept the Share Offer in respect of your Shares, you should nevertheless complete the accompanying **WHITE** Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to the Offeror or its agent(s) to collect from the Company or the Registrar, on your behalf, the relevant Share certificate(s) when issued and to deliver such certificate(s) to the Registrar and to authorise and instruct the Registrar to hold such certificate(s), subject to the terms of the Share Offer, as if it was/they were delivered to the Registrar with the accompanying **WHITE** Form of Acceptance.

(d) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost and you wish to accept the Share Offer in respect of your Shares, the accompanying **WHITE** Form of Acceptance should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your Share certificate(s) and/or transfer receipts and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or it/they become(s) available, the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share certificate(s), you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given therein, should be returned to the Registrar.

(e) Acceptance of the Share Offer will be treated as valid only if the completed **WHITE** Form of Acceptance is received by the Registrar by no later than 4:00 p.m. on Thursday, 10 April 2008 or such later time and/or date as the Offeror may determine and announce in compliance with the requirements of the Takeovers Code, and is:

(i) accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if those Share certificate(s) is/are not in your name, such other documents in order to establish your right to become the registered holder of the relevant Shares; or

(ii) from a registered shareholder of Shares or his personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to Shares which are not taken into account under another sub-paragraph of this paragraph (e)); or

(iii) certified by the Registrar or the Stock Exchange.

If the **WHITE** Form of Acceptance is executed by a person other than the registered Shareholders, appropriate documentary evidence of authority to the satisfaction of the Registrar must be produced.

(f) No acknowledgement of receipt of any **WHITE** Form(s) of Acceptance, Share certificate(s), transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

(g) The Registrar is Union Registrars Limited, which is situated at Rooms 1901-1902, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.

Procedures for acceptance of the Call Option Offer

(a) If you accept the Call Option Offer, you should complete the accompanying **YELLOW** Form of Acceptance which has been despatched to the Call Option Holder and is also available at the head office and principal place of business of the Company at Room 1507, 15th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong in accordance with the instructions printed thereon, which instructions form part of the terms and conditions of the Call Option Offer.

(b) The completed **YELLOW** Form of Acceptance should be forwarded, together with the Call Option certificate issued in respect of the Call Options, the form of transfer in or substantially in the form as included in the option subscription agreement dated 24 August 2007 and authority for signing of the form of transfer (if applicable) (and/or any satisfactory indemnity or indemnities required in respect thereof), by post or by hand to the company secretary of the Company at Room 1507, 15th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong, marked "Artfield Call Option Offer" on the envelope, as soon as practicable and in any event, so as to reach the Company by no later than 4:00 p.m. on Thursday, 10 April 2008 (or such later time and date as the Offeror may determine and announce in accordance with the Takeovers Code). No acknowledgement of receipt of any **YELLOW** Form(s) of Acceptance, Call Option certificate, the form of transfer and authority for signing of the form of transfer (if applicable) (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

Procedures for acceptance of the Share Option Offer

(a) If you accept the Share Option Offer, you should complete the accompanying **PINK** Form of Acceptance which has been separately despatched to each of the Share Option Holder and is also available at the head office and principal place of business of the Company at Room 1507, 15th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong, in accordance with the instructions printed thereon, which instructions form part of the terms and conditions of the Share Option Offer.

(b) The completed **PINK** Form of Acceptance should be forwarded, together with the relevant Share Option certificate(s) (if any) for not less than the number of Share Options in respect of which you intend to accept the Share Option Offer, by post or by hand to the company secretary of the Company at Room 1507, 15th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong, marked "Artfield Share Option Offer" on the envelope, as soon as practicable and in any event, so as to reach the Company by no later than 4:00 p.m. on Thursday, 10 April 2008 (or such later time and date as the Offeror may determine and announce in accordance with the Takeovers Code). No acknowledgement of receipt of any **PINK** Form(s) of Acceptance or Share Option(s) certificate(s) will be given.

2. ACCEPTANCE PERIOD AND REVISIONS

The Offers will remain open for acceptance until 4:00 p.m. on Thursday, 10 April 2008 unless extended or revised in accordance with the Takeovers Code.

The Offers may be revised at any time up to the Closing Date. If the Offers are revised, such revised Offers will remain open for acceptance for a period of at least 14 days from the date of posting of the written notification of the revision to all the Independent Shareholders, the Call Option Holder and the Share Option Holders. All the Independent Shareholders, the Call Option Holders and the Share Option Holders, whether or not they have already accepted the Offers, will be entitled to the revised terms. The Offeror will comply with any other relevant requirements under the Takeovers Code.

3. ANNOUNCEMENTS

By 6:00 p.m. on the Closing Date, or such later time and/or date as the Executive may agree, the Offeror shall inform the Executive and the Stock Exchange of its intentions in relation to the revision or the extension or expiry of the Offers. The Offeror shall publish an announcement through the Stock Exchange's website by 7:00 p.m. on the Closing Date of the Offers, stating whether the Offers had been revised, extended or have expired. The announcement shall state:

(a) the total number of issued Shares and rights over Shares for which valid acceptances of the Share Offer have been received;

(b) the total number of Call Options for which valid acceptances of the Call Option Offer have been received;

(c) the total number of Share Options for which valid acceptances of the Share Option Offer have been received;

(d) the total number of Shares held, controlled or directed by the Offeror or parties acting in concert with it before the offer period; and

(e) the total number of Shares acquired and the rights over Shares or agreed to be acquired during the offer period by the Offeror or parties acting in concert with it.

The announcement shall also specify the percentages of the relevant classes of issued share capital of the Company and the percentages of voting rights represented by these numbers of Shares.

As required under the Takeovers Code and the Listing Rules, all announcements in relation to the Offers in respect of which the Executive and the Stock Exchange have confirmed that they have no further comments thereon, must be published on the website of the Company and the Stock Exchange.

4. RIGHT OF WITHDRAWAL

(a) Acceptances of the Offers tendered by the Shareholders, the Call Option Holder and the Share Option Holders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in (b) below.

(b) If the Offeror is unable to comply with the requirements set out in paragraph 3 of this Appendix I, under Rule 19.2 of the Takeovers Code, the Executive may require that the Independent Shareholders, the Call Option Holder and the Share Option Holders who have tendered acceptances of the Offers be granted a right of withdrawal on terms acceptable to the Executive until the requirements set out in that paragraph are met.

5. GENERAL

(a) All communications, notices, Forms of Acceptance, Share certificates, transfer receipts, any other documents of title, Call Option certificate, form of transfer and authority for signing of the form of transfer, Share Option certificate (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to be delivered by or sent to or from the Independent Shareholders, the Call Option Holder and the Share Option Holders will be delivered by or sent to or from them, or their designated agents, at their own risk, and neither the Company, the Offeror, Baron, and any of their respective agents nor the Registrar accepts any liability for any loss in postage or any other liabilities that may arise as a result.

(b) The provisions set out in the accompanying Forms of Acceptance form part of the terms of the Offers.

(c) The accidental omission to despatch the Composite Offer Document and/or the Forms of Acceptance or any of them to any person to whom the Offers are made will not invalidate the Offers in any way.

(d) The Offers and all acceptances will be governed by and construed in accordance with the laws of Hong Kong. The Offers are made in accordance with the Takeovers Code.

(e) Due execution of the Forms of Acceptance will constitute an authority to any director of the Offeror, Baron or such person or persons as any of them may direct to complete and execute any document on behalf of the person accepting the Offers and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror or such person or persons as it may direct the Shares in respect of which such person has/have accepted the Offers.

(f) Acceptance of the Offers by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror and Baron that the Shares acquired under the Offers are sold by any such person or persons free from all liens, claims and encumbrances and together with all rights attaching and accruing thereto including the right to receive all future dividends or other distributions, if any, declared, paid or made on the Shares on or after the Completion Date.

(g) The settlement of the consideration to which any Shareholder or the Call Option Holder or the Share Option Holders is entitled under the Offers will be implemented in full in accordance with the terms of the Offers without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Shareholder or the Call Option Holder or the Share Option Holders.

(h) Sellers' ad valorem stamp duty for the Shares in connection with acceptance of the Share Offer will be payable by each Shareholder at the rate of HK$1.00 for every HK$1,000 or part thereof of the consideration payable by the Offeror for such person's Shares and will be deducted from the consideration payable to such person under the Share Offer. Such amounts will be paid by the Offeror to the Stamp Duty office in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

Sellers' ad valorem stamp duty for the Call Options in connection with acceptance of the Call Option Offer will be payable by the Call Option Holder at the rate of HK$1.00 for every HK$1,000 or part thereof of the consideration payable by the Offeror for such person's Call Options and will be deducted from the consideration payable to such person under the Call Option Offer. Such amounts will be paid by the Offeror to the Stamp Duty office in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

(i) The Offeror does not intend to exercise any right which may be available to it under the Companies Act to acquire compulsorily any Shares not acquired under the Offers after the Offers have closed but reserve the right to do so.

(j) References to the Offers in the Composite Offer Document and in the accompanying Forms of Acceptance shall include any extension and/or revision thereof.

(k) The making of the Offers to persons with a registered address in jurisdictions outside Hong Kong may be affected by the applicable laws of their jurisdictions. Persons with a registered address in a jurisdiction outside Hong Kong should inform themselves about and observe any applicable legal requirements. It is the responsibility of any such persons who wish to accept the Offers to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdiction.

(l) The English text of the Composite Offer Document and the accompanying Forms of Acceptance shall prevail over their respective Chinese texts for the purpose of interpretation.

A. FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group as extracted from the respective annual and interim reports of the Company is set out below:

(i) Results

	Six months ended 30 September 2007 (unaudited) HK$'000	Year ended 31 March 2007 (audited) HK$'000	2006 (restated) (audited) HK$'000	2005 (restated) (audited) HK$'000
Turnover	72,131	173,405	221,135	238,300
Loss before taxation	(9,914)	(128,038)	(70,595)	(318)
Income tax credit (expense)	(473)	3,243	(1,516)	(1,755)
Net loss for the year	(10,387)	(124,795)	(72,111)	(2,073)
Dividend	–	–	–	–
Loss per share	(3.41) cents	(40.96) cents	(27.49) cents	(0.92) cents
Attributable to:				
Equity holders of the Company	(10,387)	(124,577)	(72,149)	(2,414)
Minority interests	–	(218)	38	341
Net loss for the year	(10,387)	(124,795)	(72,111)	(2,073)

(ii) Assets and liabilities

	As at 30 September 2007 (unaudited) HK$'000	As at 31 March 2007 (audited) HK$'000	2006 (audited) HK$'000	2005 (restated) (audited) HK$'000
Total assets	85,576	86,535	229,629	281,670
Total liabilities	(41,156)	(34,908)	(89,788)	(86,120)
Net assets	44,420	51,627	139,841	195,550

Notes:

1. As the Group disposed of its manufacturing operation of the lighting product division in 2006, the above presentation of the income statements for the year ended 31 March 2006 and 2007 as extracted from 2006 and 2007 annual report has not been revised accordingly.

2. The Company has no exceptional or extraordinary items during the periods.

3. No dividends have been paid or declared by the Company during each of the three years ended 31 March 2007 and six months ended 30 September 2007.

4. A qualified opinion has been issued by the Company's auditors, Shinewing (HK) CPA Limited for the financial year ended 31 March 2007. Save as the aforesaid, no qualified opinion has been issued by the Company's auditors for each of the three financial years ended 31 March 2007.

B. AUDITED FINANCIAL STATEMENTS

Set out below is a reproduced report of Shinewing (HK) CPA Limited, the independent auditors of the Group, on the audited financial statements together with accompanying notes extracted from pages 31 to 34 of the annual report of the Company for the year ended 31 March 2007. The page references in this reproduced report are the same as those in the annual report. All information in this section should be read in conjunction with the audited accounts which are included in the relevant annual report.

INDEPENDENT AUDITOR'S REPORT

信永中和 ShineWing

SHINEWING (HK) CPA Limited
20/F., Shui On Centre
6-8 Harbour Road, Hong Kong

TO THE SHAREHOLDERS OF ARTFIELD GROUP LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Artfield Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 35 to 130 which comprise the consolidated balance sheet as at 31 March 2007, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Except as described in the basis for qualified opinion paragraph, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for qualified opinion

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

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

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

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

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

Qualified opinion arising from limitation of audit scope

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

SHINEWING (HK) CPA Limited
Certified Public Accountants
Lau Miu Man
Practicing Certificate Number: P03603

Hong Kong
27 July 2007

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

The following is the full text of the audited financial statements of the Group for the year ended 31 March 2007 extracted from the annual report of the Company for the year ended 31 March 2007:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March 2007

	Notes	**2007** *HK$'000*	**2006** *HK$'000* (Restated)
Continuing operations			
Turnover	*6*	162,168	205,920
Cost of sales and services provided		(147,586)	(183,537)
Gross profit		14,582	22,383
Other operating income		5,596	2,199
Selling and distribution expenses		(8,902)	(13,824)
Administrative expenses		(37,285)	(39,452)
Finance costs	*8*	(2,820)	(2,893)
Allowance for bad and doubtful debts		(30,883)	(1,699)
Write down for inventories		(27,648)	–
Gain on disposal of subsidiaries		9,885	–
Impairment loss recognised in respect of intangible asset	*18*	(46,440)	–
Impairment loss recognised in respect of goodwill	*19*	(3,963)	(17,004)
Impairment loss recognised in respect of interests in associates	*20*	–	(23,768)
Loss before tax		(127,878)	(74,058)
Income tax credit (expenses)	*9*	3,176	(63)
Loss for the year from continuing operations		(124,702)	(74,121)
Discontinued operation			
(Loss) profit for the year from discontinued operation	*10*	(93)	2,010
Loss for the year	*11*	(124,795)	(72,111)
Attributable to:			
Equity holders of the Company		(124,577)	(72,149)
Minority interests		(218)	38
		(124,795)	(72,111)
Dividend	*12*	–	–
(LOSS) EARNINGS PER SHARE – BASIC	*13*		
From continuing operations		(HK40.94 cents)	(HK28.10 cents)
From discontinued operation		(HK0.02 cents)	HK0.61 cents
From continuing and discontinued operations		(HK40.96 cents)	(HK27.49 cents)

CONSOLIDATED BALANCE SHEET

As at 31st March 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current assets			
Investment properties	15	4,220	6,426
Property, plant and equipment	16	14,417	56,499
Prepaid lease payments on land use rights	17	–	9,008
Intangible assets	18	–	–
Goodwill	19	–	–
Interests in associates	20	–	6,000
Deferred tax assets	29	–	135
		18,637	78,068
Current assets			
Inventories	21	12,024	79,118
Trade and bills receivables	22	18,104	55,637
Prepayments, deposits and other receivables	23	2,581	6,128
Amounts due from related companies	24	33,113	–
Prepaid lease payments on land use rights	17	–	220
Financial assets at fair value through profit or loss	25	–	2,343
Tax recoverable		219	86
Bank balances and cash		1,857	8,029
		67,898	151,561
Current liabilities			
Trade payables	26	9,817	28,553
Other payables and accruals	26	13,125	21,877
Tax payable		1	1,277
Obligations under finance leases – due within one year	27	346	598
Bank and other borrowings – due within one year	28	10,382	32,391
		33,671	84,696
Net current assets		34,227	66,865
Total assets less current liabilities		52,864	144,933

	Notes	2007 HK$'000	2006 HK$'000
Capital and reserves			
Share capital	30	30,448	26,248
Reserves		21,390	106,591
Equity attributable to equity holders of the Company		51,838	132,839
Minority interests		(211)	7,002
		51,627	139,841
Non-current liabilities			
Obligations under finance leases			
– due after one year	27	106	586
Deferred tax liabilities	29	1,131	4,506
		1,237	5,092
		52,864	144,933

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2007

	Attributable to equity holders of the Company									
	Share capital	**Share premium**	**Property revaluation reserve**	**Capital reserve**	**Reserve and enterprise expansion funds**	**Exchange translation reserve**	**Retained earnings (deficit)**	**Total**	**Minority interests**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(Note 1)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2005	26,248	40,481	11,542	45,994	9,116	(420)	67,393	200,354	6,964	207,318
Exchange difference arising on translation of overseas operation	–	–	–	–	–	4,634	–	4,634	–	4,634
(Loss) profit for the year	–	–	–	–	–	–	(72,149)	(72,149)	38	(72,111)
At 31 March 2006	26,248	40,481	11,542	45,994	9,116	4,214	(4,756)	132,839	7,002	139,841
Exchange difference arising on translation of overseas operation	–	–	–	–	–	1,744	–	1,744	17	1,761
Loss for the year	–	–	–	–	–	–	(124,577)	(124,577)	(218)	(124,795)
Reserves realised upon disposal of subsidiaries	–	–	(2,870)	(9,941)	(6,692)	–	19,503	–	–	–
Disposal of subsidiaries	–	–	–	–	–	(8,568)	–	(8,568)	(1,544)	(10,112)
Total recognised expenses for the year	–	–	(2,870)	(9,941)	(6,692)	(6,824)	(105,074)	(131,401)	(1,745)	(133,146)
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	–	–	–	–	–	–	–	–	(5,468)	(5,468)
Transfers *(Note 2)*	–	–	(1,226)	–	–	–	1,226	–	–	–
At 31 March 2007	30,448	86,681	7,446	36,053	2,424	(2,610)	(108,604)	51,838	(211)	51,627

Notes:

1. In accordance with the Peoples' Republic of China (the "PRC") regulations, all of the Group's subsidiaries in the PRC are required to transfer part of their profit after tax to the reserve and enterprise expansion funds, which are non-distributable, before profit distributions are made. The amounts of the transfers are subject to the approval of the boards of directors of these companies in accordance with their joint venture agreements and/or articles of association. No transfer of reserve was made for both years as the PRC subsidiaries were loss making in both years.

2. The amount represents the transfer of property revaluation reserve to the Group's deficit due to the transfer of leasehold land and buildings to investment properties during the year.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March 2007

	Notes	2007 HK$'000	2006 HK$'000
OPERATING ACTIVITIES			
Loss before tax		(127,878)	(74,058)
(Loss) profit before tax for discontinued operation		(160)	3,463
		(128,038)	(70,595)
Adjustments for:			
Amortisation of intangible assets		–	27
Amortisation of prepaid lease payment		228	220
Depreciation of property, plant and equipment		6,765	7,091
Depreciation of investment properties		327	272
Finance costs		2,820	2,893
Gain on disposal of financial assets at fair value through profit or loss		(8)	–
Gain on disposal of subsidiaries		(9,885)	–
Loss (gain) on disposal of property, plant and equipment		497	(19)
Loss on disposal of investment properties		1,330	–
Impairment loss recognised in respect of goodwill		3,963	17,004
Impairment loss recognised in respect of intangible asset		46,440	–
Impairment loss recognised in respect of investment properties		–	571
Impairment loss recognised in respect of interests in associates		–	23,768
Interest income		(72)	(98)
Gain arising from changes in fair value of financial assets at fair value through profit or loss		–	(32)
Allowance for bad and doubtful debts		31,188	1,796
Write back of allowance for bad and doubtful debts		(110)	(201)
Write down for inventories		28,245	8,399

	Notes	2007 HK$'000	2006 HK$'000
Operating cash flow before movements in working capital		(16,310)	(8,904)
Decrease in inventories		8,884	8,109
Decrease in trade and bills receivables, prepayments, deposits and other receivables		3,578	4,378
(Decrease) increase in trade payables, other payables and accruals		(4,310)	6,524
Decrease in trust receipt loans		(1,278)	(1,867)
Cash (used in) generated from operations		(9,436)	8,240
Interest received		72	98
Interest paid		(2,820)	(2,893)
Hong Kong Profits Tax paid		(1,202)	(216)
Overseas taxes paid		(16)	(1,102)
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES		(13,402)	4,127
INVESTING ACTIVITIES			
Proceeds on disposal of an associate		6,000	–
Proceeds on disposal of investment properties		3,417	–
Proceeds on disposal of financial assets at fair value through profit or loss		2,351	–
Purchases of property, plant and equipment		(1,733)	(1,668)
Disposal of subsidiaries (net of cash and cash equivalents disposed of)	*32*	1,263	–
Proceeds on disposal of property, plant and equipment		45	48
Repayment from associates		–	210

	Notes	2007 HK$'000	2006 HK$'000
NET CASH FROM (USED IN) INVESTING ACTIVITIES		11,343	(1,410)
FINANCING ACTIVITIES			
New bank loans raised		26,469	12,711
Repayment of bank loans		(18,735)	(15,415)
Dividend paid to minority shareholders of a subsidiary		(5,468)	–
Repayment of obligations under finance leases		(598)	(1,050)
New other loans raised		–	567
Repayment of other loans		–	(259)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		1,668	(3,446)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(391)	(729)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		(3,387)	(2,964)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		311	306
CASH AND CASH EQUIVALENTS AT END OF YEAR		(3,467)	(3,387)
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS, represented by:			
Bank balances and cash		1,857	8,029
Bank overdrafts		(5,324)	(11,416)
		(3,467)	(3,387)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31st March 2007

1. General

The Company is incorporated in Bermuda as an exempted company with limited liability. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The principal activities of the Company and its subsidiaries (the "Group") are principally engaged in manufacturing and marketing of clocks, marketing of lighting products and trading of metals.

2. Application of Hong Kong Financial Reporting Standards ("HKFRSs")

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

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

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

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

3. Significant accounting policies

The consolidated financial statements have been prepared under the historical cost basis except for financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

(b) Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(c) Goodwill

Goodwill arising on acquisitions prior to 1 January 2005

Goodwill arising on an acquisition of subsidiary for which the agreement date is before 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary at the date of acquisition.

For previously capitalised goodwill arising on acquisitions of subsidiaries before 1 January 2005, the Group has discontinued amortisation from 1 April 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash-generating unit to which the goodwill relates may be impaired (see the accounting policy below).

Goodwill arising on acquisition on or after 1 January 2005

Goodwill arising on an acquisition of a subsidiary for which the agreement date is on or after 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

(d) Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

(e) Interests in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Any excess of the Group's share of net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

(f) Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses below).

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

Patents and trademarks

Cost incurred on the acquisition of patents and trademarks are capitalised in the consolidated balance sheet and are amortised by equal annual instalments over the estimated useful life of five years. Patents and trademarks are not revalued as there is no active market for these assets.

Research and development expenditures

Expenditure on research activities is recognised as an expense in the year in which it is incurred.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses below).

Impairment

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Intangible assets with finite useful lives are tested for impairment when there is an indication that an asset may be impaired (see the accounting policies in respect of impairment losses below).

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Advantage has been taken of the transitional relief provided by paragraph 80A of HKAS 16 "Property, Plant and Equipment" from the requirement to make regular revaluations of the Group's land and buildings which had been carried at revalued amounts prior to 30 September 1995, and accordingly no further revaluation of land and buildings is carried out. Prior to 30 September 1995, the revaluation increase arising on the revaluation of these assets was credited to the revaluation reserve. Any future decreases in value of these assets will be dealt with as an expense to the extent that they exceed the balance, if any, on the revaluation reserve relating to a previous revaluation of the same asset. On the subsequent sale or retirement of a revalued asset, the corresponding revaluation surplus is transferred to retained earnings.

Depreciation is provided to write off the cost or valuations of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

Assets held under finance leases are depreciated over their estimated useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Construction in progress is stated at cost, less any identified impairment losses. Costs include all development expenditure and other direct cost attributes to such projects. Upon completion of construction, the relevant costs are transferred to appropriate categories of property, plant and equipment when they are ready for use.

No depreciation or amortisation is provided on construction in progress until the asset is completed and put into use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

(h) Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost of investment properties using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

(i) Land use rights

Land use rights are stated at cost less accumulated amortisation and accumulated impairment losses. The cost of land use rights is amortised on a straight-line basis over the period of the land use rights or the term of the respective enterprise to which the land use rights are granted, whichever is the shorter.

(j) Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the two categories, including financial assets at fair value through profit or loss and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include the financial assets held for trading on initial recognition.

At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and bills receivables, deposits and other receivables, amounts due from related companies and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified as other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Other financial liabilities

Other financial liabilities including trade payables, other payables, obligations under finance leases and bank and other borrowings are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designed as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

(l) Impairment losses (other than goodwill and intangible assets (see the accounting policies in respect of goodwill and intangible assets above))

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amounts, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(m) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from sales of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the title has passed.

Revenue from provision of electroplating services is recognised when the services are rendered.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount.

Operating lease rental income is recognised on a straight-line basis over the period of the relevant lease terms.

(n) Equity settled share-based payment transactions

Share options granted to directors and employees of the Company

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share options reserve will continue to be held in share options reserve.

(o) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(p) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the re-translation of monetary items, are recognised in profit or loss in the period in which they arise except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. Exchange differences arising on the re-translation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the re-translation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the exchange translation reserve.

(q) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other assets are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straightline basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

(r) Borrowing costs

All borrowing costs are charged to the consolidated income statement in the year in which they are incurred.

(s) Retirement benefit costs

Payments to state-managed retirement benefits scheme and the defined contribution schemes are charged as an expense when the employees have rendered service entitling them to the contributions.

(t) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value when the effect is material.

4. Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Group's accounting policies, management makes various estimates and judgements (other than those involving estimates) based on past experience, expectations of the future and other information. The key source of estimation uncertainty and the critical judgement that can significantly affect the amounts recognised in the financial statements are disclosed below:

Depreciation of property, plant and equipment and investment properties

Property, plant and equipment and investment properties are depreciated on a straight-line basis over their estimated useful lives, after taking into account of their estimated residual value. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual value and the useful lives of the property, plant and equipment and investment properties and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year and the estimate will be changed in the future period.

Amortisation of intangible assets

Patents and on-line games intellectual property rights are amortised on a straight-line basis over their estimated useful lives. The determination of the useful lives involve management's estimation. The Group re-assesses the useful lives of the patents and on-line game intellectual property rights annually and if the expectation differs from the original estimate, such a difference may impact the amortisation in the year and the estimate will be changed in the future period.

Allowance for bad and doubtful debts

The Group performs ongoing credit evaluations of its customers and adjust credit limits based on payment history and the customer's current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses based upon its historical experience and any specific customer collection issues that it has been identified. Credit losses have historically been within the Group's expectations and the Group will continue to monitor the collections from customers and maintain an appropriate level of estimated credit losses.

Write down for inventories

The management of the Group reviews an aging analysis at each balance sheet date, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production or sales. The management estimates the net realisable value for such raw materials and finished goods based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at each balance sheet date and makes allowance for obsolete items.

Impairment of investment properties

The impairment loss for investment properties are recognised for the amounts by which the carrying amounts exceeds its recoverable amount, in accordance with the Group's accounting policy. The recoverable amounts have been determined based on fair values less costs to sell, which is based on the best information available to reflect the amount that obtainable at each of the balance sheet date, from the disposal of the asset in an arm's length transaction between knowledgeable and willing parties, after deducting the costs to disposal.

Impairment of property, plant and equipment

The impairment loss for property, plant and equipment are recognised for the amounts by which the carrying amounts exceeds its recoverable amount, in accordance with the Group's accounting policy. The recoverable amounts of property, plant and equipment have been determined based on value-in-use calculations. These calculations require the use of estimates such as the future revenue and discount rates. No impairment was provided during the year.

5. Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivables, amounts due from related companies, deposits and other receivables, trade payables, other payables, obligations under finance leases and bank and other borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

Certain trade receivables and bank borrowings of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Cash flow interest rate risk

The Group's cash flow interest rate risk relates primarily to floating-rate borrowings and obligations under finance leases. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 March 2007 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group regularly reviews the recoverable amount of each individual trade receivables at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings. The Group's exposure to liquidity risk is minimal.

6. Turnover

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers, less returns and allowances and provision of electroplating services. An analysis of the Group's turnover for the year, for both continuing and discontinued operations is as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Continuing operations		
Sales of goods	162,168	205,920
Discontinued operation *(Note 10)*		
Provision of electroplating services	11,237	15,215
	173,405	221,135

7. 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. Summary details of the business segments are as follows:

(a) the clocks and other office related products segment engages in the manufacture and marketing of clocks and other office related accessories;

(b) the lighting products segment engages in the marketing of energy saving lighting products;

(c) the trading segment engages in the trading of metal; and

(d) the electroplating services segment engages in the provision of electroplating services.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

During the year, the Group disposed of its electroplating services business *(see note 10)*.

(a) Business segments

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

2007

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

2006

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

2007

	Clocks and other office related products *HK$'000*	**Lighting products** *HK$'000*	**Trading** *HK$'000*	**Total** *HK$'000*
ASSETS				
Segment assets	74,347	7,429	2,936	84,712
Unallocated assets				1,823
Total assets				86,535
LIABILITIES				
Segment liabilities	30,180	1,481	8	31,669
Unallocated liabilities				3,239
Total liabilities				34,908

2007

	Continuing operations				Discontinued operation	
	Clocks and other office related products	**Lighting products**	**Trading**	**Total**	**Electroplating services**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
OTHER SEGMENT INFORMATION:						
Capital expenditure	1,393	244	–	1,637	96	1,733
Unallocated capital expenditure				–	–	–
Depreciation and amortisation	5,838	430	1	6,269	973	7,242
Unallocated depreciation and amortisation				78	–	78
Unallocated impairment losses recognised in respect of intangible asset and goodwill				50,403	–	50,403
Allowance for bad and doubtful debts	497	–	30,386	30,883	305	31,188
Write down for inventories	28,245	–	–	28,245	–	28,245
Loss on disposal of property, plant and equipment	426	42	–	468	–	468
Unallocated loss on disposal of property, plant and equipment				29	–	29

2006

	Continuing operations				Discontinued operation	
	Clocks and other office related products	**Lighting products**	**Trading**	**Total**	**Electroplating services**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS						
Segment assets	144,396	12,426	33,024	189,846	14,881	204,727
Interests in associates				6,000	–	6,000
Unallocated assets				18,902	–	18,902
Total assets				214,748	14,881	229,629
LIABILITIES						
Segment liabilities	54,726	11,899	7	66,632	2,021	68,653
Unallocated liabilities				21,135	–	21,135
Total liabilities				87,767	2,021	89,788
OTHER SEGMENT INFORMATION:						
Capital expenditure	2,138	144	–	2,282	251	2,533
Unallocated capital expenditure				400	–	400
Depreciation and amortisation	5,189	538	–	5,727	935	6,662
Unallocated depreciation and amortisation				948	–	948
Unallocated impairment losses recognised in the consolidated income statement				41,343	–	41,343
Allowance for bad and doubtful debts				1,699	97	1,796
Write down for inventories	8,327	(145)	–	8,182	217	8,399
(Gain) loss on disposal of property, plant and equipment	(20)	20	–	–	–	–
Unallocated gain on disposal of property, plant and equipment				(19)	–	(19)

(b) Geographical segments

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

	North America		Europe		Hong Kong		PRC		Others		Total	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment turnover:												
Sales to external customers	75,022	84,124	54,101	73,651	2,922	11,476	33,234	47,874	8,126	4,010	173,405	221,135
Other segment information:												
Segment assets	440	506	14,634	10,740	52,552	81,091	6,332	127,535	12,577	9,757	86,535	229,629
Capital expenditure	–	–	103	60	23	17	1,511	2,456	96	400	1,733	2,933

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

8. Finance costs

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

9. Income tax (credit) expenses

	Continuing operations		Discontinued operation		Total	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
The (credit) charge comprises:						
Hong Kong Profits Tax						
– current year	23	30	1	245	24	275
– under (over) provision in prior years	21	(4)	(165)	1,000	(144)	996
Tax in other jurisdictions						
– current year	–	37	96	208	96	245
	44	63	(68)	1,453	(24)	1,516
Deferred taxation *(Note 29)*	(3,220)	–	1	–	(3,219)	–
	(3,176)	63	(67)	1,453	(3,243)	1,516

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profits for the year.

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

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

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

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

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

10. Discontinued operations

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

The (loss) profit for the period/year from the discontinued operation is analysed as follows:

	1.4.2006 to 30.3.2007	**1.4.2005 to 31.3.2006**
	HK$'000	*HK$'000*
(Loss) profit of Electroplating Services Segment	(93)	2,010
Attributable to:		
Equity holders of the Company	(74)	1,603
Minority interests	(19)	407
	(93)	2,010

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

	1.4.2006 to 30.3.2007	**1.4.2005 to 31.3.2006**
	HK$'000	*HK$'000*
Turnover	11,237	15,215
Cost of sales and services provided	(7,604)	(8,772)
Other operating income	147	310
Administration expenses	(3,940)	(3,290)
	(160)	3,463
Income tax credit (expense)	67	(1,453)
(Loss) profit for the period/year	(93)	2,010

During the year ended 31 March 2007, Ultra Good Group contributed approximately HK$5,462,000 (2006: contributed HK$380,000) to the Group's net operating cash flows, paid approximately HK$93,000 (2006: HK$251,000) in respect of investing activities and paid HK$5,468,000 in respect of financing activities (2006: Nil).

No tax charge or credit arose on loss on disposal of Electroplating Services Segment.

The carrying amounts of the assets and liabilities of the Ultra Good Group at the date of disposal are disclosed in note 32(b).

11. Loss for the year

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

	Continuing operations		Discontinued operation		Total	
	2007	2006	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost of inventories sold and . services provided	147,586	183,537	7,604	8,772	155,190	192,309
Staff costs (excluding directors' remuneration *(note 14)*):						
Basic salaries and allowances	13,113	40,148	2,087	1,669	15,200	41,817
Retirement benefits scheme contributions	1,731	1,711	–	45	1,731	1,756
	14,844	41,859	2,087	1,714	16,931	43,573
Depreciation of property, plant and equipment	5,839	6,202	926	889	6,765	7,091
Depreciation of investment properties	327	272	–	–	327	272
Allowance for bad and doubtful debts	30,883	1,699	305	97	31,188	1,796
Amortisation of intangible assets (included in administrative expenses)	–	27	–	–	–	27
Amortisation of prepaid lease payments on land use rights (included in administrative expenses)	181	174	47	46	228	220
Auditors' remuneration	486	350	45	30	531	380
Research and development expenditure	127	267	–	–	127	267
Operating leases charges on rented premises	1,821	2,094	16	23	1,837	2,117
Loss (gain) on disposal of property, plant and equipment	497	(19)	–	–	497	(19)

	Continuing operations		Discontinued operation		Total	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Loss on disposal of investment properties	1,330	–	–	–	1,330	–
Net exchange (gain) loss	(3,479)	996	35	17	(3,444)	1,013
Impairment loss recognised in respect of investment properties	–	571	–	–	–	571
Write down for inventories	27,648	–	–	–	27,648	–
Write down for inventories (included in cost of sales)	597	8,182	–	217	597	8,399
Gain arising from changes in fair value of financial assets at fair value through profit or loss	–	(32)	–	–	–	(32)
Gain on disposal of financial assets at fair value through profit or loss	(8)	–	–	–	(8)	–
Gross rental income from investment properties	(540)	(353)	–	–	(540)	(353)
Less: direct operating expenses that generated rental income	190	166	–	–	190	166
Net rental income from investment properties	(350)	(187)	–	–	(350)	(187)
Interest income	(69)	(98)	(3)	–	(72)	(98)
Write back of allowance for bad and doubtful debts	(15)	(201)	(95)	–	(110)	(201)

12. Dividend

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

13. (Loss) Earnings per share – basic

From continuing and discontinued operations

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

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

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

From continuing operations

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

	2007	**2006**
	HK$'000	*HK$'000*
Loss for the year attributable to equity holders of the Company	124,577	72,149
Less: Loss (profit) for the year from discontinued operation attributable to equity holders of the Company *(note 10)*	74	(1,603)
Loss for the year for the purpose of basic loss per share from continuing operations	124,503	73,752

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

From discontinued operation

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

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

14. Directors' and senior management's emoluments

(a) Directors' emoluments

The emoluments paid or payable to each of the 13 (2006: 10) directors were as follows:

For the year ended 31 March 2007

		Other emoluments		
	Fees	Salaries, allowances and other benefits	Retirement benefits scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:				
Liang Jin You[1]	–	1,320	12	1,332
Li KwoYuk[1]	–	360	12	372
Leung Kin Yau[1]	–	240	12	252
Ou Jian Sheng[1]	–	573	2	575
Deng Ju Neng[1]	–	516	–	516
Chen Vee Yong, Frederick[2]	–	–	–	–
Lee Sang Yoon[3]	–	–	–	–
Leung Heung Ying, Alvin[4]	–	–	–	–
Chung Oi Ling, Stella[4]	–	–	–	–
Independent non-executive directors:				
Lo Ming Chi, Charles	50	–	–	50
Lo Wah Wai	50	–	–	50
Orr Joseph Wai Shing	50	–	–	50
Wong Ngao San, Marcus[4]	–	–	–	–
	150	3,009	38	3,197

[1] *Resigned on 4 July 2007*

[2] *Resigned on 11 July 2007*

[3] *Appointed on 27 June 2006 and resigned on 11 July 2007*

[4] *Appointed on 14 June 2007*

For the year ended 31 March 2006

	Fees	Other emoluments: Salaries, allowances and other benefits	Other emoluments: Retirement benefits scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:				
Liang Jin You	–	1,320	12	1,332
Li Kwo Yuk	–	360	12	372
Leung Kin Yau	–	240	12	252
Ou Jian Sheng	–	568	2	570
Deng Ju Neng	–	120	–	120
Lin Dong Hong[1]	–	180	–	180
Chen Vee Yong, Frederick[2]	–	–	–	–
Independent non-executive directors:				
Lo Ming Chi, Charles	50	–	–	50
Lo Wah Wai	50	–	–	50
Orr Joseph Wai Shing	50	–	–	50
	150	2,788	38	2,976

[1] *Resigned on 15 March 2006*

[2] *Appointed on 15 March 2006*

No director waived any emoluments in any of the years ended 31 March 2007 and 2006.

The remuneration of directors is determined by the remuneration committee having regard to the performance of individuals and market trends.

(b) ***Senior management's emoluments***

Of the five individuals with the highest emoluments in the Group, three (2006: two) were executive directors of the Company whose emoluments are set out above. The emoluments of the remaining two (2006: three) highest paid individuals were as follows:

	2007	2006
	HK$'000	*HK$'000*
Salaries, allowances and other benefits	1,259	1,845
Retirement benefits scheme contributions	79	180
	1,338	2,025

The emoluments of the two (2006: three) highest paid employees fall in the following bands:

	Number of individuals	
	2007	2006
Emoluments bands		
Nil – HK$1,000,000	2	2
HK$1,000,000 to HK$1,500,000	–	1
	2	3

(c) During the year, no emoluments have been paid by the Group to any directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

15. Investment properties

(a)

	HK$'000
COST	
At 1 April 2005	–
Transfer from property, plant and equipment *(Note 16)*	7,269
At 31 March 2006	7,269
Transfer from property, plant and equipment *(Note 16)*	2,868
Disposal	(5,306)
At 31 March 2007	4,831
DEPRECIATION AND IMPAIRMENT	
At 1 April 2005	–
Provided for the year	272
Impairment loss recognised in profit or loss	571
At 31 March 2006	843
Provided for the year	327
Eliminated on disposals	(559)
At 31 March 2007	611
CARRYING VALUES	
At 31 March 2007	4,220
At 31 March 2006	6,426

(b) In the opinion of the directors of the Company, the fair values of the Group's investment properties at 31 March 2007 are approximately HK$4,220,000 (2006: HK$6,426,000). The fair values were determined by reference to recent market prices for similar properties.

(c) The above investment properties are depreciated on a straight-line basis over the shorter of the term of the leases or 20 years.

(d) The carrying values of investment properties shown above comprises medium-term leasehold land and buildings situated in:

	2007	2006
	HK$'000	*HK$'000*
Hong Kong	4,220	4,206
Outside Hong Kong	–	2,220
	4,220	6,426

16. Property, plant and equipment

	Leasehold land and buildings	Leasehold improvements	Construction in progress	Plant and machinery	Furniture, equipment and motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST OR VALUATION						
At 1 April 2005	81,818	2,520	10	50,742	50,167	185,257
Exchange realignment	1,236	16	–	460	363	2,075
Additions	–	–	649	935	1,349	2,933
Transfer	–	–	(282)	–	282	–
Transfer to investment properties *(Note 15)*	(9,255)	–	–	–	–	(9,255)
Disposals	–	–	–	(345)	(683)	(1,028)
At 31 March 2006	73,799	2,536	377	51,792	51,478	179,982
Exchange realignmen	1,792	22	13	844	734	3,405
Additions	–	371	341	446	575	1,733
Transfer	–	–	(312)	–	312	–
Transfer to investment properties *(Note 15)*	(4,198)	–	–	–	–	(4,198)
Disposals	(467)	(87)	–	(787)	(759)	(2,100)
Disposal of subsidiaries	(52,673)	(1,085)	(419)	(27,905)	(19,536)	(101,618)
At 31 March 2007	18,253	1,757	–	24,390	32,804	77,204
Comprising:						
At cost	–	1,757	–	24,390	32,804	58,951
At valuation – 1995	18,253	–	–	–	–	18,253
	18,253	1,757	–	24,390	32,804	77,204

	Leasehold land and buildings	Leasehold improvements	Construction in progress	Plant and machinery	Furniture, equipment and motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ACCUMULATED DEPRECIATION AND AMORISATION						
At 1 April 2005	26,643	984	–	46,380	44,256	118,263
Exchange realignment	428	–	–	432	254	1,114
Charge for the year	2,794	273	–	1,413	2,611	7,091
Transfer to investment properties *(Note 15)*	(1,986)	–	–	–	–	(1,986)
Eliminated on disposals	–	–	–	(336)	(663)	(999)
At 31 March 2006	27,879	1,257	–	47,889	46,458	123,483
Exchange realignment	711	3	–	755	550	2,019
Charge for the year	3,269	284	–	1,053	2,159	6,765
Transfer to investment properties *(Note 15)*	(1,330)	–	–	–	–	(1,330)
Eliminated on disposals	(105)	(58)	–	(756)	(639)	(1,558)
Eliminated on disposal of subsidiaries	(24,386)	(74)	–	(25,276)	(16,856)	(66,592)
At 31 March 2007	6,038	1,412	–	23,665	31,672	62,787
CARRYING VALUES						
At 31 March 2007	12,215	345	–	725	1,132	14.417
At 31 March 2006	45,920	1,279	377	3,903	5,020	56,499

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings	Over the shorter of the term of the leases or 5%
Leasehold improvements	Over the shorter of the term of the leases or 15%
Plant and machinery	20%
Furniture, equipment and motor vehicles	15% to 25%

Notes:

An analysis of the cost or valuation of the leasehold land and buildings of the Group at the balance sheet date is as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Long-term leasehold land and buildings in:		
Outside Hong Kong	–	12,564
Medium-term leasehold land and buildings in:		
Hong Kong	12,215	15,621
Outside Hong Kong	–	15,090
	12,215	30,711
Short-term leasehold land and buildings in:		
Outside Hong Kong	–	2,645

The valuation of the leasehold land and buildings was carried out by Knight, Frank & Kan, an independent firm of professionally property valuers, on an open market, existing use basis as at 31 January 1995. No further valuation will be carried out on these land and buildings. Had the revalued assets been valued at their cost less accumulated depreciation and impairment losses, the total carrying amount of land and buildings as at 31 March 2007 would be restated at approximately HK$4,812,000 (2006: HK$6,653,000).

The carrying value of assets held under finance leases included in the total amount of plant and machinery and motor vehicles of the Group as at 31 March 2007 amounted to approximately HK$412,000 (2006: HK$901,000).

17. Prepaid lease payments on land use rights

	2007	**2006**
	HK$'000	*HK$'000*
The Group's prepaid lease payments on land use rights comprise:		
Leasehold land in the PRC:		
Short-term lease	–	1,339
Medium-term lease	–	2,649
Long lease	–	5,240
	–	9,228
Analysed for reporting purposes as:		
Non-current asset	–	9,008
Current asset	–	220
	–	9,228

18. Intangible assets

	On-line game intellectual property rights	**Patents and trademarks**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
COST			
At 1 April 2005	–	1,771	1,771
Exchange realignment	–	(37)	(37)
At 31 March 2006	–	1,734	1,734
Exchange realignment	–	48	48
Acquired on acquisition of a subsidiary	46,440	–	46,440
At 31 March 2007	46,440	1,782	48,222
ACCUMULATED AMORTISATION AND IMPAIRMENT			
At 1 April 2005	–	1,732	1,732
Exchange realignment	–	(25)	(25)
Charge for the year	–	27	27
At 31 March 2006	–	1,734	1,734
Exchange realignment	–	48	48
Impairment loss recognised for the year	46,440	–	46,440
At 31 March 2007	46,440	1,782	48,222
CARRYING VALUES			
At 31 March 2007	–	–	–
At 31 March 2006	–	–	–

Patents and trademarks and on-line game intellectual property rights have definite useful lives and are amortised on a straight-line basis over five years.

The directors of the Company are of the opinion that the timing for launching the on-line game intellectual property rights to the market was not determinable after reviewing the development progress, impairment loss of HK$46,440,000 was recognised for the year ended 31 March 2007.

19. Goodwill

	HK$'000
(A) Cost	
At 1 April 2005	19,993
Elimination of accumulated amortisation upon the application of HKFRS 3	(2,989)
At 31 March 2006	17,004
Acquired on acquisition of a subsidiary	3,963
At 31 March 2007	20,967
ACCUMULATED AMORTISATION	
At 1 April 2005	2,989
Elimination of accumulated amortisation upon the application of HKFRS 3	(2,989)
At 31 March 2006 and 31 March 2007	–
IMPAIRMENT	
At 1 April 2005	–
Impairment loss recognised for the year	17,004
At 31 March 2006	17,004
Impairment loss recognised for the year	3,963
At 31 March 2007	20,967
CARRYING VALUES	
At 31 March 2007	–
At 31 March 2006	–

During the year ended 31 March 2006, the Group fully impaired the goodwill arising from acquisition of Lens Trading Inc., as the directors of the Company were of the opinion that business prospect of this subsidiary was unfavourable and the recoverable amount of the cash generating unit cannot support the amount of goodwill.

During the year ended 31 March 2007, goodwill of HK$3,963,000 was generated from the acquisition of a subsidiary, Matrix Software Inc. ("Matrix"). The sole asset of Matrix was the on-line game intellectual property rights. As directors of the Company are of the opinion that the timing for launching the on-line game intellectual property rights to the market was not determinable after reviewing the development progress, impairment loss of HK$3,963,000 was recognised.

20. Interests in associates

	2007	**2006**
	HK$'000	*HK$'000*
Cost of investment in unlisted associates	–	29,605
Share of post-acquisition profits and exchange realignment *(Note a)*	–	163
Impairment loss recognised *(Note c)*	–	(23,768)
	–	6,000

As at 31 March 2006, the Group had interests in the following associates:

Name of associate	Form of business structure	Class of shares held	Place of incorporation/ registration and operations	Nominal value of issued share/ registered capital	Percentage of equity attributable to the Group	Principal activities
Success Start Holdings Limited ("Success Start")	Incorporated	Ordinary	British Virgin Islands ("BVI")	HK$390,000	49%	Investment holding
Anxi Medicine-Make Co., Limited, Fujian ("Anxi Medicine")	Incorporated	Contributed capital	PRC	RMB30,000,000	39%	Manufacture of medical products
Beijing Xipu Biotechnology Limited ("Beijing Xipu")	Incorporated	Contributed capital	PRC	RMB10,000,000	43%	Research and development, production and sales of bio-technological medical products

Notes:

(a) The summarised unaudited financial information in respect of the Group's associates is set out below:

	2007	**2006**
	HK$'000	*HK$'000*
Total assets	–	40,930
Total liabilities	–	(11,634)
Net assets	–	29,296
Group's share of net assets of associates *(Note)*	–	29,768
Revenue	–	9,465
Loss for the year	–	(31,455)
Group's share of results of associates for the year *(Note)*	–	–

Note: Pursuant to the sales and purchase agreement dated 15 March 2004 in respect of the acquisition of Success Start and its subsidiaries, Anxi Medicine and Beijing Xipu, stipulates that in the case of any loss incurred by Success Start within five years following the date of the acquisition, the loss will be borne by the vendors in proportion to the original shareholdings in Success Start.

(b) During the year ended 31 March 2007, the Group disposed of its 49% equity interest in Success Start and its subsidiaries, Anxi Medicine and Beijing Xipu at a consideration of HK$6,000,000 and no gain or loss is resulted.

(c) During the year ended 31 March 2006, the directors of the Company reviewed the carrying value of its interest in associates with reference to a sale and purchase agreement entered into by a wholly-owned subsidiary of the Company, Easy Link Assets Limited ("Easy Link") with independent third parties for the disposal of Success Start. An impairment loss of HK$23,768,000 was recognised in the consolidated income statement.

21. Inventories

	2007	**2006**
	HK$'000	*HK$'000*
Raw materials	72	32,478
Work in progress	77	35,032
Finished goods	11,875	11,608
	12,024	79,118

At 31 March 2007, all the inventories were carried at cost.

22. Trade and bills receivables

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

Note:

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

At the balance sheet date, the aging analysis of the trade and bills receivables, net of allowance for bad and doubtful debts was as follows:

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

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

23. Prepayments, deposits and other receivables

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

24. Amounts due from related companies

Name	Balance as at 31 March 2007	Balance as at 31 March 2006	Maximum amount outstanding during the year
	HK$'000	*HK$'000*	*HK$'000*
Merry Crest Management Limited (“Merry Crest”)	14,111	–	14,111
Asia Peace Development Limited (“Asia Peace”)	19,002	–	19,002
	33,113	–	

The amounts represent the consideration receivables in respect of the disposal of subsidiaries *(Note 32a & b)*, of which are unsecured, non-interest bearing, repayable on demand and are fully settled in May 2007.

Mr. Liang Jin You, an executive director and chairman of the Company and a controlling shareholder of the Company ("Mr. Liang") has beneficial interests in these two related companies.

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

25. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include:

	2007	**2006**
	HK$'000	*HK$'000*
Unlisted investments in guaranteed funds, at fair value	–	2,343

26. Trade payables/other payables and accruals

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

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

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

27. Obligations under finance leases

The lease term is ranging from 3 to 5 years. For the year ended 31 March 2007, the average effective borrowing rate was 5.7% (2006: 5.7%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

	Minimum lease payments		Present value of minimum lease payments	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts payable under finance leases				
Within one year	367	648	346	598
More than one year but not more than two years	102	433	99	405
More than two years but not more than three years	7	168	7	160
More than three years but not more than four years	–	23	–	21
	476	1,272	452	1,184
Less: Future finance charges	(24)	(88)	N/A	N/A
Present value of lease obligations	452	1,184	452	1,184
Less: Amount due within one year shown under current liabilities			(346)	(598)
Amount due after one year			106	586

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

Finance leases obligations are denominated in Hong Kong dollars.

The directors of the Company consider that the carrying amounts of the obligations under finance leases at the balance sheet date approximated to their fair values.

28. Bank and other borrowings

	2007	2006
	HK$'000	*HK$'000*
Bank loans	3,570	17,642
Trust receipt loans	1,488	2,766
Other loans	–	567
Bank overdrafts	5,324	11,416
	10,382	32,391
Analysed as:		
Secured	5,346	24,314
Unsecured	5,036	8,077
	10,382	32,391

The above amounts bear interest at prevailing market rates and are repayable on demand or within one year.

In respect of bank loans with an aggregate carrying amount of approximately HK$5,707,000 as at 31 March 2007, the Group breached certain of the terms of the bank loans, which are primarily related to the consolidated tangible net worth of the Group. On discovery of the breach, the directors of the Company informed the relevant bankers and commenced a re-negotiation of the loans.

At 31 March 2007, all bank borrowings are floating rate borrowings. The bank borrowings carry interest at London Inter-Bank Offered Rate ("LIBOR") plus 2.5%, Prime Lending Rate plus 0.25% and Best Lending Rate ("BLR") plus 0.25% to 0.5%.

At 31 March 2006, bank borrowings of HK$15,587,000 and HK$16,237,000 were fixed rate borrowings and floating rate borrowings, respectively. The fixed rate bank borrowings carried interest ranging from 4.75% to 7.71% per annum and the floating rate borrowings carried interest at Hong Kong Interbank Offered Rate plus 0.25%, LIBOR plus 2.5% and BLR plus 0.25% to 1.5%.

At 31 March 2006, the other borrowings were unsecured, carried interest at 4.75% to 9.75% per annum and were fully repaid in 2007.

The Group's borrowings that are denominated in currencies other the functional currencies of the relevant group entities are set out below:

	Renminbi	United States Dollars	Great Britain Pound
	'000	*'000*	*'000*
As at 31 March 2007	–	135	164
As at 31 March 2006	15,729	328	265

During the year, the Group obtained new bank borrowings in the amount of approximately HK$26,469,000. The loans drawn during the year bear interest at prevailing market rates and will be repayable within one year.

The directors of the Company consider that the carrying amounts of bank borrowings at the balance sheet date approximated to their fair values.

29. Deferred tax

The following are the major deferred tax liabilities (assets) recognised and movement thereon during the current and prior reporting periods.

	Accelerated tax depreciation	Revaluation of properties	Tax losses	Unrealised losses on inventories	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2005 and 31 March 2006	(766)	1,864	(87)	3,360	4,371
(Credit) charge to income for the year	54	–	87	(3,360)	(3,219)
Released upon transfer of leasehold land and buildings to investment properties	260	(260)	–	–	–
Released on disposal of subsidiaries	(21)	–	–	–	(21)
	(473)	1,604	–	–	1,131

For the purposes of balance sheet presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2007	**2006**
	HK$'000	*HK$'000*
Deferred tax liabilities	1,131	4,506
Deferred tax assets	–	(135)
	1,131	4,371

At 31 March 2007, the Group has unused tax losses of HK$46,070,000 (2006: HK$13,679,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profits streams. Included in unrecognised tax losses of approximately HK$2,178,000 (2006: HK$2,783,000) that will expire in 2011. Other losses may be carried forward indefinitely.

30. Share capital and share options

Share capital

	Number of ordinary shares of HK$0.10 each		Amount	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Authorised:				
Balance at beginning of year and at 31 March	900,000,000	900,000,000	90,000	90,000
Issued and fully paid:				
Balance at beginning of year	262,478,584	262,478,584	26,248	26,248
Issue of shares for settlement of consideration in respect of acquisition of a subsidiary *(Note)*	42,000,000	–	4,200	–
Balance at end of year	304,478,584	262,478,584	30,448	26,248

Note:

The Company allotted and issued 42,000,000 ordinary shares of HK$0.1 each at the base price of HK$1.2 per share as consideration for the acquisition of Matrix. All the shares issued during the year ended 31 March 2007 rank pari passu with the then existing shares in all respects. The base price represents the fair value of the ordinary shares of the Company, being the average of the closing prices as quoted on the Stock Exchange for the last ten consecutive days prior to the date of the agreement.

Share options

The Company adopted a share option scheme on 21 March 1995 (the "Old Scheme") for the purpose of providing incentives and rewards to directors and eligible employees and expired on 20 March 2005.

As a result of the amendments of Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") on 1 September 2001, certain terms of the Old Scheme are no longer in compliance with the Listing Rules and the Company can no longer grant any further options under the Old Scheme without being in breach of the Listing Rules. Accordingly, the Company terminated the Old Scheme and adopted a new share option scheme (the "New Scheme"), which was approved in the Company's annual general meeting on 28 August 2003, for the purpose of providing incentives to directors and eligible participants.

Except that no further options may be granted under the Old Scheme subsequent to its termination, all the other provisions of the Old Scheme will remain in force so as to give effect to the exercise of all outstanding options granted under the Old Scheme prior to 1 September 2001 and all such options will remain valid and exercisable in accordance with the provisions of the Old Scheme.

According to the New Scheme, the directors of the Company may grant options to eligible employees, including directors of the Company or any of its subsidiaries and any suppliers, customers, any technical, financial, and legal professional advisors who have contributed to the Group, to subscriber for shares in the Company for a consideration of HK$1 for each lot of share options granted.

Options granted should be accepted within 28 days from the date of grant. The total number of shares which may be issued upon exercise of all options to be granted under the New Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the shares of the Company in issue at the date adoption of the New Scheme.

The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to director, chief executive or substantial shareholder of the Company or any of their associates in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

The maximum number of shares to be issued upon exercise of all outstanding options granted and yet to exercised under the New Scheme and any other option schemes of the Company must not in aggregate exceed 30% of the issued share capital of the Company from time to time.

The directors may at their absolute discretion determine the period during which an option may be exercised, such period to expire not later than 10 years from the date of grant of the option. The exercise price is determined by the directors and shall not be less than the highest of (i) the closing price of the Company's share on the date of grant, (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of grant, and (iii) the nominal value of the share.

No options were granted to directors and employees of the Company under the New Scheme since its adoption.

31. Acquisition of a subsidiary

On 4 April 2006, the Group acquired 100% of the issued share capital of Matrix for a consideration of HK$50,400,000. The amount of goodwill arising as a result of the acquisition was HK$3,963,000. The acquisition of Matrix has been accounted for using the purchase method.

The net assets acquired in the transaction and the goodwill arising are as follows:

	Acquiree's carrying Amounts
	HK$'000
Net assets acquired:	
Intellectual property	46,440
Accruals	(3)
	46,437
Goodwill arising on the acquisition	3,963
	50,400
Satisfied by:	
Shares of the Company issued *(Note)*	50,400

Note: 42,000,000 ordinary shares of the Company with a par value of HK$0.1 each were issued at the base price of HK$1.2 per share as the consideration for the acquisition of Matrix. The fair value of the ordinary shares of the Company, being the average of the closing prices as quoted on the Stock Exchange for the last ten consecutive days prior to the date of the agreement amounted to HK$50,400,000.

As at 31 March 2007, the financial position of Matrix remains unchanged since the date of acquisition.

The subsidiary acquired during the year ended 31 March 2007 had no significant contribution to the Group's turnover and loss before tax for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1 April 2006, there would have been no significant impact on the Group's turnover and loss for the year. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2006, nor is it intended to be a projection of future results.

32. Disposal of subsidiaries

(a) On 30 March 2007, the Group disposed of its 100% interest in Royal Success Enterprises Limited and its subsidiary ("Royal Success Group") and 100% interests in Artfield Industries (Shenzhen) Limited to Merry Crest and Asia Peace respectively, at an aggregate considerations of approximately HK$30,292,000. The net assets of these subsidiaries at the date of disposal were as follows:

	30 March 2007
	HK$'000
Net assets disposed of:	
Property, plant and equipment	27,860
Prepaid lease payments on land use right	7,920
Inventories	27,507
Prepayments, deposits and other receivables	1,834
Amounts due from related companies	11,929
Tax recoverable	32
Bank balances and cash	2,761
Trade payables	(7,958)
Other payables and accruals	(5,029)
Amounts due to related companies	(10,275)
Obligation under a finance lease	(134)
Bank and other borrowings	(22,900)
Deferred tax liabilities	(20)
	33,527
Exchange reserve realised on disposal of subsidiaries	(7,207)
Gain on disposal	3,972
Total consideration	30,292
Satisfied by:	
Cash	3,250
Amounts due from related companies	11,929
Amounts due to related companies	(10,275)
Deferred consideration *(Note)*	25,388
	30,292
Net cash inflow arising on disposal:	
Cash consideration	3,250
Bank balances and cash disposed of	(2,761)
	489

Note:

The deferred consideration is included in amounts due from related companies as at 31 March 2007 and is fully settled subsequent to the balance sheet date. The subsidiaries disposed of during the year had contributed approximately HK$70,146,000 to the Group's turnover and contributed approximately HK$49,903,000 to the Group's loss for the year.

(b) On 30 March 2007, the Group disposed of its 79.75% entire interests in Ultra Good Group to Merry Crest, at a consideration of approximately HK$4,954,000. The net assets of Ultra Good Group at the date of disposal were as follows:

	30 March 2007
	HK$'000
Net assets disposed of:	
Property, plant and equipment	7,024
Prepaid lease payments on land use right	1,703
Inventories	1,620
Trade receivables	1,599
Prepayments, deposits and other receivables	218
Bank balances and cash	897
Trade payables	(954)
Other payables and accruals	(570)
Amounts due to related companies	(3,321)
Amount due to a director	(390)
Tax payable	(199)
Deferred tax liabilities	(1)
	7,626
Exchange reserve realised on disposal of subsidiaries	(383)
Minority interests	(1,544)
Loss on disposal	(745)
Total consideration	4,954
Satisfied by:	
Cash	550
Amounts due to related companies	(3,321)
Deferred consideration *(Note)*	7,725
	4,954
Net cash outflow arising on disposal:	
Cash consideration	550
Bank balances and cash disposed of	(897)
	(347)

Note:

The deferred consideration is included in amounts due from related companies as at 31 March 2007 and is fully settled subsequent to the balance sheet date. The impact of Ultra Good Group on the Group's results and cash flows in the current and prior periods is disclosed in note 10.

(c) On 23 June 2006, the Group disposed of its entire interest in City Bright International Limited and its wholly owned subsidiary, City Bright Lighting (Shenzhen) Co. Ltd. to independent third parties for a consideration of approximately HK$3,874,000.

	HK$'000
Net assets disposed of:	
Property, plant and equipment	142
Inventories	4,495
Trade receivables	1
Prepayments, deposits and other receivables	2,414
Bank balances and cash	407
Trade payables	(9,000)
Other payable and accruals	(265)
	(1,806)
Exchange reserves realised on disposal of subsidiary	(978)
Gain on disposal	6,658
Total consideration	3,874
Satisfied by:	
Cash	1,528
Other receivables	2,346
	3,874
Net cash inflow arising on disposal:	
Cash consideration	1,528
Bank balances and cash disposed of	(407)
	1,121

The subsidiary disposed of during the year ended 31 March 2007 had no significant impact on the turnover and results of the Group.

33. Major non-cash transactions

(i) During the year ended 31 March 2007, the Group allotted 42,000,000 ordinary shares at par value of HK$0.1 each at the base price of HK$1.2 per share as consideration for the acquisition of Matrix.

(ii) During the year ended 31 March 2006, the Group entered into finance leases arrangements in respect of property, plant and equipment with a total capital value at the inception of the leases of approximately HK$1,265,000 (2007: Nil).

34. Related party transactions

(i) During the year, the Group entered into the following transactions with related parties:

	2007	**2006**
	HK$'000	*HK$'000*
German Time Limited ("German Time") *(Note)*		
Rental expense paid	840	840

Note:

Ms. Li Kwo Yuk, a director of the Company, has beneficial interest in this company.

(ii) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Short-term benefits	5,565	4,610
Post-employment benefits	140	86
	5,796	4,696

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

(iii) On 29 January 2007, the Group entered into an agreement with Merry Crest to dispose of its entire interest in Royal Success Group and Ultra Good Group at consideration of approximately HK$1 and HK$4,954,000 respectively.

On the same date, the Group entered into another agreement with Asia Peace to dispose of its entire issued share capital of Artfield Industries (Shenzhen) Limited at a consideration of approximately HK$30,292,000. All of the above transactions were completed on 30 March 2007.

35. Operating lease commitments

(a) The Group as lessee

The Group leases certain of its offices and staff quarters under operating lease arrangements. Lease for properties are negotiated for a term ranging from one to four years.

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Within one year	1,148	781
In the second to fifth years, inclusive	510	1,690
	1,658	2,471

(b) The Group as lessor

At the balance sheet date, the Group had commitments for future minimum lease receivables under non-cancellable operating leases in respect of premises which would fall due as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Within one year	423	470
In the second to fifth years inclusive	452	124
	875	594

As at 31 March 2007, all of the properties held have committed tenants for the next one to three years. The properties are expected to generate rental yields of 8.3% (2006: 8.1%) on an ongoing basis.

36. Pledge of assets

At the balance sheet date, certain assets of the Group were pledged to secure banking facilities granted to the Group and as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Investment properties	4,116	6,426
Land and buildings	9,609	36,811
Prepaid lease payments on land use rights	–	5,241
Financial assets at fair value through profit or loss	–	2,343
	13,725	50,821

37. Retirement benefit scheme

The Group operates a defined contribution Mandatory Provident Fund Scheme ("MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employee's basic salaries and are charged to the consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Company's subsidiaries established in Mainland China are members of the state-managed retirement benefits scheme operated by the PRC. The retirement scheme contributions, which are based on a certain percentage of the salaries of the PRC subsidiaries' employees, are charged to the consolidated income statement in the year to which they are related and represented the amount of contributions payable by these subsidiaries to this scheme.

The total cost charged to the consolidated income statement of approximately HK$1,769,000 (2006: HK$1,794,000) represents contributions payable to the schemes by the Group in respect of the current financial year.

38. Post balance sheet events

(a) On 2 May 2007, Marigold Worldwide Group Limited ("Marigold"), Golden Glory Group Limited ("Golden Glory") and Mr. Liang, being the 100% beneficial owner of Golden Glory, entered into the sale and purchase agreement pursuant to which Marigold agreed to purchase and Golden Glory agreed to sell 119,184,300 shares, representing approximately 39.14% of the entire issued share capital of the Company for a total consideration of approximately HK$65,200,000 (equivalent to approximately HK$0.5471 per share). The transaction was completed on 4 July 2007.

(b) On 1 June 2007, the Group entered into a sale and purchase agreement with an independent third party in relation to the disposal of the entire issued share capital of Everbright Lighting for a consideration of approximately HK$3,600,000. The transaction was completed on 25 June 2007.

39. Balance sheet of the Company

	Notes	**2007** *HK$'000*	**2006** *HK$'000*
Non-current asset			
Interest in a subsidiary		–	35,230
Current assets			
Amounts due from subsidiaries	*(a)*	46,093	98,679
Prepayments, deposits and other receivables		110	149
Tax recoverable		5	25
Bank balances and cash		146	69
		46,354	98,922
Current liabilities			
Other payables and accruals		724	1,132
Amount due to a subsidiary	*(a)*	–	181
		724	1,313
Net current assets		45,630	97,609
Total assets less current liabilities		45,630	132,839
Capital and reserves			
Share capital		30,448	26,248
Reserves	*(b)*	15,182	106,591
		45,630	132,839

(a) Amounts due from (to) subsidiaries

The amounts are unsecured, interest-free and repayable on demand. The fair values of the amounts at the balance sheet date approximated to their corresponding carrying amounts.

(b) Reserves

	Share premium	Contributed Surplus	Retained deficit	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2005	40,481	128,013	(18,660)	149,834
Loss for the year	–	–	(43,243)	(43,243)
At 31 March 2006	40,481	128,013	(61,903)	106,591
Shares allotted and issued for settlement of consideration in respect of acquisition of a subsidiary	46,200	–	–	46,200
Loss for the year	–	–	(137,609)	(137,609)
At 31 March 2007	86,681	128,013	(199,512)	15,182

The contributed surplus of the Company represents the difference between the nominal value of the Company's shares issued in exchange for the issued shares of the companies being acquired and the value of net assets of the underlying companies acquired at the time of the Group's reorganisation in preparation for its listing in 1995. Under the Companies Act 1981 of Bermuda, the Company may make distributions to its members out of the contributed surplus in certain circumstances.

40. Principal subsidiaries

Details of the principal subsidiaries held by the Company as at 31 March 2007 are as follows:

Name	Class of shares held	Place of incorporation/ registration and operations	Nominal value of issued share/ registered capital	Percentage of equity attributable to the Group	Principal activities
Directly held:					
Artfield Company Limited	Ordinary	BVI	US$50,010	100	Investment holding
Indirectly held:					
Artfield Manufacturing Company Limited	Ordinary Non-voting deferred shares	Hong Kong	HK$1,000 HK$2,000,000#	100	Marketing of clocks
Dixon Design Limited	Ordinary	BVI	US$10,000	100	Ownership of patents and trademarks
Wehrle Uhrenfabrik GmbH	Ordinary	Germany	EUR255,646	100	Marketing of clocks
Precision Group Limited	Ordinary	BVI	US$437,000	100	Investment holding
Everbright Lighting Limited	Ordinary	Hong Kong	HK$1,000,000	100	Property holding
Everbright Lighting (Hong Kong) Limited	Ordinary	Hong Kong	HK$2	100	Inactive
高明豐雅鐘錶有限公司 (「高明豐雅」)	Contributed capital	PRC	HK$2,500,000	100	Manufacture and marketing of clocks
East Champion International Limited	Ordinary	Hong Kong	HK$1,200	100	Property holding

Name	Class of shares held	Place of incorporation/ registration and operations	Nominal value of issued share/ registered capital	Percentage of equity attributable to the Group	Principal activities
Right Time Group, Inc.	Ordinary	United States of America	US$10,000	100	Marketing of clocks
Ferdinand International (Marketing) Limited	Ordinary	United Kingdom	GBP100, 000	100	Marketing of clocks and lightening products
Lens Trading Inc. (“Lens”)	Ordinary	BVI	US$1	100	Trading of metals
Artfield Trading (Hong Kong) Limited	Ordinary	Hong Kong	HK$10,000	100	Trading of metals
德力時鐘(深圳)有限公司(「德力」)	Contributed capital	PRC	HK$3,000,000	100	Manufacture of clocks
Matrix	Ordinary	BVI	US$200	100	Marketing and development of online computer games

The non-voting deferred shares are entitled to a fixed non-cumulative dividend at the rate of 5% per annum and a return of the paid-up capital after the distribution of HK$100,000,000, but carry no rights to receive notice of or to attend or vote at any general meeting of the company, or to participate in the profits or assets of the company.

高明豐雅 and 德力 are wholly foreign-owned enterprises established in the PRC.

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding as at the end of the year or at any time during the year.

C. UNAUDITED INTERIM RESULTS

The financial information set out below is an extract from pages 1 to 16 of the interim report of the Company for the six months ended 30 September 2007. All information in this paragraph should be read in conjunction with the unaudited financial statements of the Group for the six months ended 30 September 2007 which are included in the 2007 interim reports.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2007

	Note	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	*8*		
From continuing and discontinued operations			
– 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

	Note	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

	Note	As at 30 September 2007 (Unaudited) HK$'000	As at 31 March 2007 (Audited) HK$'000
Capital and reserves			
Share capital	*13*	30,448	30,448
Reserves		14,183	21,390
Equity attributable to equity holders of the Company		44,631	51,838
Minority interests		(211)	(211)
		44,420	51,627
Non-current liabilities			
Obligations under finance leases		55	106
Deferred tax liabilities		–	1,131
		55	1,237
		44,475	52,864

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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$'000* *(Note 1)*	**Exchange translation reserve** *HK$'000*	**Share options reserve** *HK$'000*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*	**Minority interests** *HK$'000*	**Total** *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	–	36,053	2,424	(2,014)	980	(109,941)	44,631	(211)	44,420

	Attributable to equity holders of the Company									
	Share capital	**Share premium**	**Property revaluation reserve**	**Capital reserve**	**Reserve and enterprise expansion funds**	**Exchange translation reserve**	**Accumulated losses**	**Total**	**Minority interests**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(Note 1)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'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:

1. 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	2006
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'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.

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.

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	
	Clocks and other office related products	Lighting products	Trading	Total	Electroplating services	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'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	
	Clocks and other office related products *HK$'000*	Lighting products *HK$'000*	Trading *HK$'000*	Total *HK$'000*	Electroplating services *HK$'000*	Consolidated *HK$'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 (Unaudited) *HK$'000*	2006 (Unaudited) *HK$'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	**2006**
	(Unaudited)	**(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
Loss for the period attributable to equity holders of the Company	(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) were still outstanding, representing approximately 3.0% of the issued share capital of the Company.

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:

			Number of Shares to be issued upon exercise of share option				
Date of grant	**Exercise period**	**Exercise price per share**	**Beginning of the period**	**Granted during the period**	**Exercised during the period**	**Lapsed during the period**	**End of 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

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.

D. INDEBTEDNESS STATEMENT

As at the close of business on 31 January 2008, being the latest practicable date for the purpose of this indebtedness statement, the Group had outstanding debts and finance lease obligations amounting to approximately HK$4.1 million of which HK$3.9 million was unsecured bank loans and HK$0.2 million was obligations under finance leases. The Group did not have contingent liability and capital commitment as at 31 January 2008.

As at 31 January 2008, save as aforesaid and apart from intra-group liabilities and normal trade payables, none of the companies in the Group had any outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loan or indebtedness in the nature of borrowings, debt securities or other similar indebtedness, finance leases or hire purchase commitments, or any guarantees or other material contingent liabilities.

E. MATERIAL CHANGE

The Directors confirm that, save for the following matters, they are not aware of any material changes in the financial or trading position or outlook of the Group subsequent to 31 March 2007, being the date to which the latest published audited accounts of the Group were made up:

(a) the entering into of the Subscription Agreement between the Company as the issuer and the Offeror as the subscriber for the Subscription Shares and the Convertible Bond;

(b) as stated in the joint announcement dated 28 January 2008 issued by the Offeror and the Company and the circular of the Company dated 21 February 2008, upon Completion, the Directors believe that the Group could leverage on the financial and management resources in broadening the Group's business horizon and an extensive experience of China Sonangol International Limited, being the shareholder of the Subscriber, in the oil industry, trading and properties investment areas. In view of the prospect relating to natural resources generally, the Company believes that diversifying into this industry will be a sound strategy for the Company's business development. There is no specific plan or target to which the Company is committed at present;

(c) a disposal of a property by the Group at a consideration of HK$11,451,450, which constitutes a discloseable transaction of the Company as detailed in the announcement of the Company dated 28 August 2007 and the circular of the Company dated 17 September 2007; and

(d) the change of controlling shareholder of the Company to Marigold Worldwide Group Limited on 2 May 2007 as detailed in the announcement of the Company dated 9 May 2007 and composite offer and response document of the Company dated 13 June 2007. On 2 May 2007, Marigold Worldwide Group Limited became interested in 119,184,300 Shares, representing approximately 39.14% of the then entire issued share capital of the Company. The consequential general offer for the shares of the Company by Marigold Worldwide Group Limited did not become unconditional and lapsed as detailed in the announcement of the Company dated 4 July 2007.

1. RESPONSIBILITY STATEMENT

The information contained in the Composite Offer Document relating to the Offeror and its future intention has been supplied by the sole director of the Offeror. The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in the Composite Offer Document (other than the information relating to the Group), and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in the Composite Offer Document (other than those relating to the Group) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Offer Document (other than those relating to the Group) the omission of which would make any such statement contained in the Composite Offer Document misleading.

2. DISCLOSURE OF INTERESTS

(a) As at the Latest Practicable Date, the Offeror, its ultimate beneficial owners and associates and parties acting in concert with any of them were interested in 1,400,000,000 Shares, out of which the Offeror was interested in (i) 400,000,000 Shares and (ii) the Convertible Bond in the principal amount of HK$200,000,000 giving rise to an interest in 1,000,000,000 underlying Shares (assuming full conversion of the Convertible Bond at the conversion price of HK$0.20). Save for the above, none of the Offeror, its ultimate beneficial owners and associates and parties acting in concert with any of them were interested in or owned or controlled any Shares or other securities of the Company carrying voting rights, or convertible securities, warrants, options or derivatives in respect of any Shares as at the Latest Practicable Date.

(b) Save as disclosed in paragraph (a) above, as at the Latest Practicable Date, the director of the Offeror was not interested in or did not own or control any Shares or other securities of the Company carrying voting rights, or convertible securities, warrants, options or derivatives in respect of any Shares.

(c) In respect of each of the Director's own beneficial interest in the Shares, Share Options, warrants, derivatives or securities convertible into the Shares, each of Mr. Leung Heung Ying, Alvin and Mr. Lo Chi Ho, William (the executive Directors) confirmed that it is their intention to accept the Share Option Offer. As at the Latest Practicable Date, no persons who owned or controlled Shares or convertible securities, warrants, options or derivatives in respect of the Shares had irrevocably committed himself or herself to accept or reject the Offers prior to the posting of the Composite Offer Document.

(d) As at the Latest Practicable Date, there were no holdings of Shares, or convertible securities, warrants, options or derivatives in respect of Shares, owned or controlled by any person with whom the Offeror, its ultimate beneficial owners and associates and parties acting in concert with any of them has an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code.

(e) As at the Latest Practicable Date, none of the subsidiary of the Company, or any pension fund of the Company or of a subsidiary of the Company, or any advisers to the Company as specified in class (2) of the definition of associate but excluding exempt principal traders owned or controlled any of the Shares or other securities of the Company carrying voting rights, or convertible securities, warrants, options or derivatives of the Company.

(f) As at the Latest Practicable Date, neither the Offeror nor any parties acting in concert with it had any arrangement with any other person of the kind referred to in Note 8 to Rule 22 of the Takeovers Code.

3. DEALING IN SHARES

Save for the subscription pursuant to the Subscription Agreement of the (i) 400,000,000 new Shares at HK$0.20 per Subscription Share and (ii) the Convertible Bond in the principal amount of HK$200,000,000 giving rise to an interest in 1,000,000,000 underlying Shares (assuming full conversion of the Convertible Bond at the conversion price of HK$0.20), none of the Offeror, its ultimate beneficial owners, its directors and parties acting in concert with any one of the Offeror or its ultimate beneficial owners has dealt for value in any of the Shares or other securities of the Company carrying voting rights, or convertible securities, warrants, options or derivatives of the Company during the Relevant Period.

4. MARKET PRICES

(a) The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK$2.03 per Share on 30 July 2007 and HK$1.03 per Share on 23 October 2007, respectively.

(b) The table below sets out the closing prices of the Shares on the Stock Exchange on (i) the last business day on which dealings took place in each of the calendar months during the period commencing 6 months preceding the commencement of the Offer Period; (ii) the Last Trading Day and (iii) the Latest Practicable Date:

Date	**Closing price per Share** *HK$*
31 July 2007	1.96
31 August 2007	1.35
28 September 2007	1.14
31 October 2007	1.34
30 November 2007	1.67
31 December 2007	1.38
10 January 2008 (being the last full trading day)	1.31
Last Trading Day (morning session on 11 January 2008 at 12:30 p.m.)	1.51
31 January 2008	1.22
29 February 2008	1.27
17 March 2008 (being the Latest Practicable Date)	1.25

Source: website of the Stock Exchange.

5. EXPERT AND CONSENT

The following is the qualification of the expert who has been named in the Composite Offer Document and/or given opinions or advice which are contained in the Composite Offer Document:

Name	**Qualification**
Baron	a licensed corporation to conduct Types 1 (dealing in securities) and 6 (advising on corporate finance) regulated activities under the SFO

Baron has given and has not withdrawn its written consents to the issue of the Composite Offer Document with the inclusion in the Composite Offer Document of the text of its letter and/or reference to its name in the form and context in which they are included.

6. MISCELLANEOUS

(a) As at the Latest Practicable Date, no benefit (other than statutory compensation) was given to any Director as compensation for loss of office or otherwise in connection with the Offers.

(b) As at the Latest Practicable Date, there was no material contract to which the Offeror is a party in which any Director has a material personal interest.

(c) As at the Latest Practicable Date, there were no agreements or arrangements to which the Offeror was a party which relate to the circumstances in which it may or may not invoke or seek to invoke a condition to its Offers.

(d) Save and except for the Subscription Agreement and the transactions contemplated thereunder, there is no agreement or arrangement or understanding (including any compensation arrangement) existed between the Offeror or any person acting in concert with it and any Director, recent Director, shareholder or recent shareholder of the Company.

(e) The Offeror and the parties acting in concert with it do not have any intention nor are they party to any agreement, arrangement or understanding to transfer, charge or pledge any Shares to be acquired in pursuance of the Offers to any other person.

(f) The sole director of the Offeror is Ms. Lo Fong Hung, whose correspondence address is at Suites 1011-1012, 10/F, Two Pacific Place, 88 Queensway, Hong Kong.

(g) The registered office of the Offeror is situated at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands and its correspondence address is at Rooms 2201-2203, 22nd Floor, Worldwide House, Central, Hong Kong.

(h) The Offeror is a wholly-owned subsidiary of China Sonangol International Limited. China Sonangol International Limited is beneficially owned as to 70% by New Bright International Development Limited and 30% by Sonangol E.P.. Ms. Lo Fong Hung, Ms. Fung Yuen Kwan, Veronica and Mr. Manuel Domingos Vincente are the directors of China Sonangol International Limited. New Bright International Development Limited is ultimately and beneficially owned as to 30% by Ms. Lo Fong Hung and 70% by Ms. Fung Yuen Kwan, Veronica. Ms. Lo Fong Hung and Ms. Fung Yuen Kwan, Veronica are the directors of New Bright International Development Limited. Sonangol E. P. is a 100% state-owned oil company of the Republic of Angola.

(i) The address of Ms. Fung Yuen Kwan, Veronica is at Suites 1011-1012, 10/F, Two Pacific Place, 88 Queensway, Hong Kong.

(j) The address of China Sonangol International Limited is at Suites 1011-1012, 10/F., Two Pacific Place, 88 Queensway, Hong Kong.

(k) The address of New Bright International Development Limited is at Suites 1011-1012, 10/F., Two Pacific Place, 88 Queensway, Hong Kong.

(l) The address of Sonangol E.P. is at Rua 1 Congresso do MPLA, No. 8-16, Caixa Postal 1316, Luanda, Republic of Angola.

(m) The address of Baron, the agent to the Offeror, is 4th Floor, Aon China Building, 29 Queen's Road Central, Hong Kong.

1. RESPONSIBILITY STATEMENT

All Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Offer Document (other than the information relating to the Offeror and its future intention), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Composite Offer Document (other than those relating to the Offeror and its future intention) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Offer Document (other than those relating to the Offeror and its future intention) the omission of which would make any such statement contained in the Composite Offer Document misleading.

2. CORPORATE INFORMATION OF THE COMPANY

The Company was incorporated in Bermuda under the Companies Act. Its registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business in Hong Kong is at Room 1507, 15th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

3. SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE BOND OF THE COMPANY

(a) Authorised and issued share capital

As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

Authorised:		*HK$*
5,000,000,000	Shares	500,000,000.00
Issued and fully paid:		
704,478,584	Shares	70,447,858.40

All the existing issued Shares are fully paid up or credited as fully paid and rank pari passu in all respects including all rights as to dividends, voting and capital.

Since 31 March 2007, the date to which the latest audited financial statements of the Company were made up, and up to the Latest Practicable Date, a total of 400,000,000 Shares pursuant to the Subscription Agreement have been issued. Save as the aforesaid, the Company has not issued any Shares since 31 March 2007 up to the Latest Practicable Date.

(b) Share options

As at the Latest Practicable Date, the Company had the following outstanding options granted pursuant to an option subscription agreement dated 24 August 2007 and a share option scheme adopted on 28 August 2003:

Date of grant	Exercise price per Share	Exercise period	No. of underlying Shares
Call Options			
24 August 2007	HK$1.165	31 October 2007 to 30 October 2008	60,895,000
Share Options			
28 August 2007	HK$1.146	28 August 2007 to 27 August 2017	6,089,570
14 September 2007	HK$1.260	14 September 2007 to 13 September 2017	3,040,000

(c) Convertible Bond

As at the Latest Practicable Date, the Company had in issue an outstanding Convertible Bond in the principal amount of HK$200,000,000 convertible into 1,000,000,000 new Shares at the conversion price of HK$0.20 each (subject to adjustment). Such Convertible Bond was issued pursuant to the Subscription Agreement and held by the Offeror.

Save for the aforesaid outstanding options and the Convertible Bond held by the Offeror, there were no other outstanding warrants, derivatives or securities convertible into Shares as at the Latest Practicable Date.

(d) Listing

The Shares are listed and traded on the main board of the Stock Exchange. No part of the issued share capital of the Company is listed or dealt in, nor is any listing of or permission to deal with, the Shares being or proposed to be sought on, through any other stock exchange.

4. DISCLOSURE OF INTERESTS OF THE COMPANY

(a) Directors' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors 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 SFO), which (i) 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 or short positions which they have taken or deemed to have taken under such provisions of the SFO); or (ii) were required, to be entered in the register referred to therein pursuant to Section 352 of the SFO; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange; or (iv) were required to be disclosed in the Composite Offer Document pursuant to the requirements of the Takeovers Code were as follows:

Long positions in underlying shares in the Company

Name of Director	*Note*	Nature of interest	Number of underlying Shares pursuant to Share Options	Approximate percentage of the issued share capital of the Company
Mr. Leung Heung Ying, Alvin	*1*	Personal interest	3,044,785	0.43
Mr. Lo Chi Ho, William	*2*	Personal interest	3,040,000	0.43

Notes:

1. These share options were granted on 28 August 2007 pursuant to the share option scheme adopted by the Company on 28 August 2003 and are exercisable from 28 August 2007 to 27 August 2017 at a price of HK$1.146 per Share. There is no vesting period for the options granted.

2. These share options were granted on 14 September 2007 pursuant to the share option scheme adopted by the Company on 28 August 2003 and are exercisable from 14 September 2007 to 13 September 2017 at a price of HK$1.260 per Share. There is no vesting period for the options granted.

As at the Latest Practicable Date, save as disclosed above, none of the Directors and chief executive of the Company and their respective associates were interested, or were deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) which (i) 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 or short positions which they have taken or deemed to have taken under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and Stock Exchange; or (iv) were required to be disclosed in the Composite Offer Document pursuant to the requirements of the Takeovers Code.

(b) Substantial shareholders and other person's interests and short position in the Shares, underlying Shares and securities of the Company

As at the Latest Practicable Date, so far as was known to the Directors or the chief executive of the Company, the following persons (other than Director or chief executive of the Company) had, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstance at general meetings of any other member of the Group or had any options in respect of such capital:

Name of Shareholder	*Note*	Nature of interest	Number of Shares and underlying Shares held	Approximate percentage of the issued share capital of the Company
Marigold Worldwide Group Limited	*1*	Beneficial owner	116,684,300	16.56
Mr. Yam Tak Cheung	*1*	Interests of controlled corporation	116,684,300	16.56
Ascent Goal Investments Limited	*2*	Beneficial owner	1,400,000,000	198.73
China Sonangol International Limited	*3*	Interests of controlled corporation	1,400,000,000	198.73

Name of Shareholder	*Note*	Nature of interest	Number of Shares and underlying Shares held	Approximate percentage of the issued share capital of the Company
New Bright International Development Limited	*3*	Interests of controlled corporation	1,400,000,000	198.73
Ms. Fung Yuen Kwan, Veronica	*4*	Interests of controlled corporation	1,400,000,000	198.73
Mr. Wong Man Hin, Charles	*5*	Beneficial owner	60,895,000	8.64

Notes:

1. These 116,684,300 shares are held by Marigold Worldwide Group Limited, a company incorporated in the British Virgin Islands, which is 100% beneficially owned by Mr. Yam Tak Cheung.

2. These 1,400,000,000 Shares are owned by the Offeror pursuant to the Subscription Agreement. It includes (i) interests in 400,000,000 Shares; and (ii) interests in HK$200,000,000 Convertible Bond giving rise to an interest in 1,000,000,000 underlying Shares.

3. Since the Offeror is a wholly-owned subsidiary of China Sonangol International Limited which is beneficially owned as to 70% by New Bright International Development Limited, the interests of the Offeror is deemed to be the interests of China Sonangol International Limited and in turn the interests of New Bright International Development Limited under the SFO.

4. Ms. Fung Yuen Kwan, Veronica is deemed to have interests in the Shares and underlying Shares through her 70% interest in New Bright International Development Limited.

5. Mr. Wong Man Hin, Charles has interests in 60,895,000 Call Options, giving rise to an interest in 60,895,000 underlying Shares.

Save as aforesaid, as at the Latest Practicable Date, so far as was known to the Directors, no person (other than Director or chief executive of the Company) had any interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions of 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or who had any options in respect of such capital.

(c) Share option scheme

The Company adopted a share option scheme on 28 August 2003, with an 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, and technical and legal professional advisers and any shareholder who has valuable contribution to the Group.

Upon full exercise of the outstanding Share Options, 3,044,785 new Shares will be issued to public Shareholders and the remaining 6,084,785 new Shares will be issued to certain Directors.

(d) Other interest in the Company

As at the Latest Practicable Date,

(i) neither the Group nor any of the Directors held any interest in the securities of the Offeror;

(ii) save as disclosed in paragraph 4(a) of this Appendix, none of the Directors held any securities of the Company;

(iii) no subsidiary of the Company, or any pension fund of the Company or of a subsidiary of the Company, or by an adviser to the Company as specified in class (2) of the definition of "associate" owned or controlled any securities in the Company;

(iv) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of "associate" in the Takeovers Code; and

(v) no shareholding in the Company was managed on a discretionary basis by fund managers (other than exempt fund manager) connected with the Company.

5. DEALINGS IN SECURITIES OF THE OFFEROR

During the Relevant Period, none of the Company or the Directors had any dealings in the shares or any convertible securities, warrants, options and derivatives of the Offeror.

6. DEALING IN SECURITIES OF THE COMPANY

During the Relevant Period:

(a) the following Directors had dealt in the securities and options of the Company in the manner below:

(i) On 28 August 2007, Mr. Leung Heung Ying, Alvin, being an executive Director, was granted 3,044,785 Share Options to subscribe for 3,044,785 Shares at an exercise price of HK$1.146 per Share.

(ii) On 14 September 2007, Mr. Lo Chi Ho, William, being an executive Director, was granted 3,040,000 Share Options to subscribe for 3,040,000 Shares at an exercise price of HK$1.260 per Share.

Save as disclosed above, none of the Directors had dealt in any securities of the Company.

(b) none of the subsidiaries of the Company, nor any pension funds of the Company or of any of its subsidiaries, nor any of the advisers to the Company as specified in class (2) of the definition of "associate" in the Takeovers Code had dealt for value in any securities in the Company; and

(c) no fund managers (other than exempt fund managers) connected with the Company who managed funds on a discretionary basis had dealt for value in any securities in the Company.

7. SERVICE CONTRACT

As at the Latest Practicable Date, Mr. Leung Heung Ying, Alvin ("Mr. Leung"), an executive Director, had entered into a service agreement on 10 July 2007 with the Company for a term commencing on 14 June 2007 and expiring on 31 March 2009 (the "Service Agreement"). Pursuant to the Service Agreement, Mr. Leung is entitled to a salary of HK$160,000 per month and the end of year payment of HK$160,000 on a pro-rate basis. Mr. Leung is entitled to a discretionary bonus in respect of each financial year of the Company during the term an amount to be determined by the Board in its absolute discretion, provided that the total amount of bonus payable to all executive Directors shall not exceed 5% of the combined or, as the case may be, the consolidated profit after taxation but before such bonus and extraordinary item of the Group for that financial year. Mr. Leung has not received any bonus up to the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors has any service contracts with the Company or any of its subsidiaries or associated companies in force which (i) (including both continuous and fixed term contracts) have been entered into or amended within 6 months before the date of the Announcement; (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period.

8. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any member of the Group.

9. MATERIAL CONTRACTS

The following contracts (not being entered into in the ordinary course of business) have been entered into by the members of the Group after the date commencing two years preceding the date of the Announcement and up to the Latest Practicable Date which were or may be material:

(a) the share transfer agreement dated 22 February 2006 entered into between the Company, Easy Link Assets Limited (a wholly-owned subsidiary of the Company), Success Start Holdings Limited and Chin Yuk Wai for the disposal of 49% equity interests in Success Start Holdings Limited at a total consideration of HK$6,000,000;

(b) the sale and purchase agreement dated 18 March 2006 entered into between Kuan Wai I, Lee Sang Yoon, Yu Frank, Yu Jing and Easy Link Assets Limited (a wholly-owned subsidiary of the Company) for the acquisition of the entire issued share capital of Matrix Software Inc. at a total consideration of HK$50,400,000;

(c) the sale and purchase agreement dated 12 June 2006 entered into between Artfield Company Limited (a wholly-owned subsidiary of the Company), Bright International Investment Holdings Limited and Mr. Wong Chi Wai Edgar for the disposal of the entire issued share capital of City Bright International Limited at a total consideration of HK$3,874,174;

(d) the sale and purchase agreement dated 29 January 2007 entered into between Artfield Manufacturing Company Limited (a wholly-owned subsidiary of the Company), Asia Peace Development Limited and Liang Jin You in relation to the disposal of the entire contributed and paid up capital of Artfield Industries (Shenzhen) Ltd. at a consideration of HK$27,424,126;

(e) the sale and purchase agreement dated 29 January 2007 entered into between Artfield Company Limited, a wholly-owned subsidiary of the Company, Merry Crest Management Limited and Liang Jin You in relation to the disposal of the entire issued share capital of Royal Success Enterprises Limited, all the Group's shareholding in Ultra Good Electroplating Limited at a consideration of HK$11,636,694;

(f) the share charge dated 30 March 2007 executed by Merry Crest Management Limited in favour of Artfield Company Limited;

(g) the share charge dated 30 March 2007 executed by Asia Peace Development Limited in favour of Artfield Manufacturing Company Limited;

(h) the deed of assignment dated 30 March 2007 entered into between Artfield Company Limited, Artfield Manufacturing Company Limited, Merry Crest Management Limited, Ultra Good Electroplating Limited and Ultra Good Electroplating Surface Finishing (Shenzhen) Company Limited;

(i) the deed of assignment dated 30 March 2007 entered into between Artfield Company Limited, Artfield Manufacturing Company Limited, Great Reward (Gaoming) Limited, Precision Group Limited, Bessemer International Limited, Merry Crest Management Limited, Royal Success Enterprises Limited and Artfield Industries (Foshan) Limited;

(j) the deed of non-competition undertaking dated 30 March 2007 executed by Liang Jin You in favour of Artfield Group Limited;

(k) the deed of novation dated 30 March 2007 entered into between Artfield Manufacturing Company Limited, Asia Peace Development Limited and Artfield Industries (Shenzhen) Limited;

(l) the deed of release dated 28 May 2007 executed by Artfield Company Limited in favour of Merry Crest Management Limited;

(m) the deed of release dated 28 May 2007 executed by Artfield Manufacturing Company Limited in favour of Asia Peace Development Limited;

(n) the sale and purchase agreements dated 1 June 2007 entered into between Precision Group Limited, a wholly-owned subsidiary of the Company, Fair Future Limited, Kuan Weng Fai and Fu Chang Trading Limited for the disposal of 100% equity interests in Everbright Lighting Limited (a wholly-owned subsidiary of the Company) at a total consideration of HK$3,600,000;

(o) the deed of assignment dated 25 June 2007 entered into between Precision Group Limited, a wholly-owned subsidiary of the Company, Kuan Weng Fai and Everbright Lighting Limited;

(p) two sale and purchase agreements both dated 25 July 2007 entered into between Artfield Manufacturing Company Limited, a wholly-owned subsidiary of the Company, Chan Sze Bun and Pun Tse Hing for the disposal of 2 units of an industrial property at Universal Industrial Centre, Shatin, New Territories, at a total consideration of HK$3,012,750;

(q) the option subscription agreement dated 24 August 2007 entered into between the Company and the Call Option Holder whereby the Call Option Holder has the rights to require, at any time during the option period, the Company to procure the delivery of one Share upon exercise of each call option (in total 60,895,000 Shares) by way of issuance and allotment of new Shares at the exercise price of HK$1.165 per Share;

(r) the sale and purchase agreement dated 27 August 2007 entered into between Artfield Manufacturing Company Limited, a wholly-owned subsidiary of the Company, and Upwin Investments Limited for the disposals of 3 car parking spaces and 7 units of an industrial property at Universal Industrial Centre, Shatin, New Territories, for a total consideration of HK$11,451,450; and

(s) the Subscription Agreement.

10. EXPERT AND CONSENT

The following is the qualification of the expert who has been named in the Composite Offer Document and/or given opinions or advice which are contained in the Composite Offer Document:

Name	Qualification
Veda Capital	a licensed corporation to conduct Type 6 (advising on corporate finance) regulated activity under the SFO

Veda Capital has given and has not withdrawn its written consent to the issue of the Composite Offer Document with the inclusion in the Composite Offer Document of the text of its letter and/or reference to its name in the form and context in which they are included.

11. GENERAL

(a) The Directors are Mr. Leung Heung Ying, Alvin, Ms. Chung Oi Ling, Stella, Mr. Lo Chi Ho, William, Mr. Lo Ming Chi, Charles, Mr. Orr Joseph Wai Shing and Mr. Wong Ngao San, Marcus.

(b) As at the Latest Practicable Date, no benefit (other than statutory compensation) was, and nor would any benefit (other than statutory compensation) be given to any Director as compensation for loss of office or otherwise in connection with the Offers.

(c) There was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Offers or otherwise connected with the Offers.

(d) As at the Latest Practicable Date, there was no material contract entered into by the Company in which any Director has a material personal interest.

(e) The address of Veda Capital, the independent financial adviser to the Independent Board Committee, is situated at Suite 809, 8th Floor, Shui On Centre, 8 Harbour Road, Wanchai, Hong Kong.

(f) The English text of this document and the accompanying Forms of Acceptance shall prevail over their respective Chinese texts.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection from 9:30 a.m. to 5:30 p.m., on any business day at (i) the head office and principal place of business of the Company in Hong Kong at Room 1507, 15th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong; (ii) the website of the Company (www.artfield.com.hk); and (iii) the website of the SFC (www.sfc.hk) while the Offers remain open for acceptance:

(a) the memorandum of association and bye-laws of the Company;

(b) the memorandum and articles of association of the Offeror;

(c) the annual reports of the Company for the two years ended 31 March 2007;

(d) the interim report of the Company for the six months ended 30 September 2007;

(e) the letter from Baron, the text of which is set out on pages 8 to 20 of the Composite Offer Document;

(f) the letter from the Board, the text of which is set out on pages 21 to 32 of the Composite Offer Document;

(g) the letter from the Independent Board Committee, the text of which is set out on pages 33 to 34 of the Composite Offer Document;

(h) the letter from Veda Capital, the text of which is set out on page 35 to 55 to the Composite Offer Document;

(i) the service contract referred to in the paragraph headed "Service Contract" in Appendix IV to the Composite Offer Document;

(j) the material contracts set out under the paragraph headed "Material Contracts" in Appendix IV to the Composite Offer Document; and

(k) the written consents referred to in the paragraph headed "Expert and Consent" in Appendix III and Appendix IV to the Composite Offer Document.