

**ARTFIELD GROUP LTD:
IS THIS 'WORM' ABOUT TO TURN ?**

For the first time since Artfield Group Ltd () (Code: 1229, Main Board, The Stock Exchange of Hongkong Ltd) went public in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), it has been sued in the HKSAR.

Kwong Lee (Asia) Metal Company Ltd ([]) is the Plaintiff in HKSAR District Court Action, Number 3337, the Defendant, being Artfield Manufacturing Company Ltd (), a wholly owned subsidiary of Artfield Group Ltd.

The business of the Defendant is, according to the 2008 Annual Report of Artfield Group Ltd, the marketing of clocks.

According to the Statement of Claim, attached to Writ of Summons, Number 3337, the Plaintiff, an HKSAR-domiciled company, is allegedly owed \$HK339,959.06, that sum of money, being owed *'by the Defendant to the Plaintiff for certain metal of various specifications sold and delivered by the Plaintiff to the Defendant at the Defendant's various requests between January 2008 and April 2008 ...'*.

At Paragraph 5 of the Statement of Claim, it is alleged that on July 15, 2008, the Plaintiff's solicitors' firm wrote to the Defendant, demanding payment of \$HK339,959.06, but *'the Defendant has still failed and/or refused to pay the same or any part thereof to the Plaintiff.'*

The Statement of Claim appears to be clear enough, but something appears anomalous because, according to the 2008 Annual Report of Artfield Group Ltd, it had bank balances and cash, amounting to about \$HK383.41 million, as at March 31, 2008.

As such, it appears that there is no question as to the solvency of Artfield Group Ltd.

However, for the past 5 Financial Years, ended March 31, 2008, Artfield Group Ltd has an unbroken record of losses, aggregating \$HK237,290,000.

Up until the end of the 2007-Year, Shareholders' Funds had been on the decline, very steadily, from a high of about \$HK188.59 million (as at the Balance Sheet Date of the 2005 Financial Year) to about \$HK51.84 million.

Things took a turn for the better in the 2007-2008 Financial Year, it appears, when the company raked in about \$HK151,551,000 by the issuance of 400 million shares to Ascent Goal Investments Ltd () at a consideration of \$HK80 million, and another tranche of 60,895,000 shares, issued to Mr Charles Wong Man Hin (), at a consideration of \$HK71,551,000.

In respect of the injection of \$HK71,551,000 into the coffers of the company by Mr Charles Wong Man Hin, this was due to Artfield Group Ltd, entering into an Option Subscription Share Agreement with this gentleman, who was described as being *'an independent third party'* on August 24, 2007.

According to the terms and conditions of this Share Option Agreement, it was agreed that Mr Charles Wong

Man Hin would be granted the right to subscribe to 60,895,000 Share Options 'with the rights to require, the Company (Artfield Group Ltd) to issue and allot one ordinary share of HK\$0.1 each in the capital of the Company upon exercise of each option at an exercise price of HK\$1.165 per share ...'.

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