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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive
Mr. LIANG Jin You
(Chairman & Managing Director)
Ms. LI Kwo Yuk *(Deputy Chairman)*
Mr. LEUNG Kin Yau
Mr. OU Jian Sheng
Mr. DENG Ju Neng

Non-executive
Mr. LO Wah Wai

Independent Non-executive
Mr. LO Ming Chi, Charles
Mr. CHEUNG Doi Shu

COMPANY SECRETARY

Mr. CHAN Tak Wing

AUDITORS

Ernst & Young
Certified Public Accountants
15th Floor, Hutchison House
10 Harcourt Road
Central
Hong Kong

HONG KONG LEGAL ADVISER

D.S. Cheung & Co.
1910-1913
Hutchison House
10 Harcourt Road
Central
Hong Kong

BERMUDA LEGAL ADVISER

Conyers, Dill & Pearman
2901 One Exchange Square
8 Connaught Place
Central
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

13th Floor
Universal Industrial Centre
19-21 Shan Mei Street
Fo Tan
Shatin, New Territories
Hong Kong

PRINCIPAL BANKERS

The Hongkong & Shanghai Banking Corporation Limited
The Hongkong Chinese Bank, Limited
Wing Hang Bank, Ltd.
Citibank, N.A., Hong Kong

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

Butterfield Corporate Services Limited
Rosebank Centre, 14 Bermudiana Road
Hamilton
Bermuda

HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

Tengis Limited
4th Floor, Hutchison House
10 Harcourt Road
Central
Hong Kong

WEBSITE

http://www.artfield.com.hk

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Artfield Group Limited (the "Company") will be held at Conference Room, 13th Floor, Universal Industrial Centre, 19-21 Shan Mei Street, Fo Tan, Shatin, New Territories, Hong Kong on 30 August 2002 at 10:30 a.m. for the following purposes:–

1. To receive and consider the audited financial statements and the reports of the directors and the auditors for the year ended 31 March 2002.

2. To re-elect directors and to authorize the board of directors to fix their remuneration.

3. To re-appoint auditors and to authorize the board of directors to fix their remuneration.

4. As special business, to consider and, if thought fit, pass with or without amendments, the following resolutions as ordinary resolutions:–

A. "THAT:–

(a) subject to paragraph (c) of this resolution, pursuant to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional share(s) of HK$0.10 each in the capital of the Company and to make or grant offers, agreements, options (including warrants) which might require the exercise of such powers be and is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) of this resolution shall authorize the directors of the Company during the Relevant Period to make or grant offers, agreements, options (including warrants) which might require the exercise of such power after the end of the Relevant Period;

(c) the aggregate nominal value of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and to be issued by the directors of the Company pursuant to the approval in paragraph (a) of this resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined), or (ii) an issue of shares upon the exercise of the subscription rights attaching to any warrants which may be issued by the Company from time to time; or (iii) an issue of shares under any option scheme or similar arrangement for the time being adopted by the Company and/or its subsidiaries for the grant or issue of shares or rights to acquire shares in the capital of the Company, or (iv) any scrip dividend scheme or similar arrangement providing for the allotment and issue of shares in lieu of the whole or part of a dividend on shares in accordance with the Bye-laws of the Company, shall not exceed 20% of the aggregate nominal value of the share capital of the Company in issue as at the date of passing this resolution and the said approval shall be limited accordingly; and

(d) for the purposes of this resolution:–

"Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:–

(i) the conclusion of the next annual general meeting of the Company; or

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or the Companies Act 1981 of Bermuda or any other applicable laws to be held; or

(iii) the passing of an ordinary resolution by shareholders of the Company in general meeting revoking or varying the authority given to the Directors of the Company by this resolution; and

"Rights Issue" means an offer of shares or issue of options to subscribe for shares open for a period fixed by the directors of the Company to holders of shares whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the law of, or the requirements of any recognized regulatory body or any stock exchange, in any territory applicable to the Company)."

B. "THAT:–

(a) subject to paragraph (b) of this resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to repurchase its own securities of the Company on the Stock Exchange or on any other stock exchange on which the securities of the Company may be listed and is recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and/or the requirements of the Listing Rules on the Stock Exchange or any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

(b) the aggregate nominal value of securities of the Company to be repurchased by the Company pursuant to the approval in paragraph (a) of this resolution during the Relevant Period shall not exceed 10% of the aggregate nominal value of the share capital of the Company in issue as at the date of passing this resolution or 10% of the aggregate outstanding value of warrants of the Company at the date of passing this resolution respectively, and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and

(c) for the purposes of this resolution:–

"Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:–

(i) the conclusion of the next annual general meeting of the Company; or

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or the Companies Act 1981 of Bermuda or any other applicable law to be held; and

(iii) the passing of an ordinary resolution by shareholders of the Company in general meeting revoking or varying the authority given to the Directors of the Company by this resolution."

C. "**THAT** conditional upon resolution nos. 4A and 4B as set out in the notice convening this meeting being passed, the general mandate to the directors of the Company and for the time being in force to exercise the powers of the Company to allot, issue and deal with additional shares pursuant to resolution no. 4A as set out in the notice convening this meeting be and is hereby extended by the addition to the aggregate nominal value of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of the Company repurchased by the Company under the authority granted pursuant to resolution no. 4B as set out in the notice convening this meeting, provided that such extended value shall not exceed 10% of the aggregate nominal value of the share capital of the Company in issue as at the date of passing this resolution."

By Order of the Board
CHAN Tak Wing
Company Secretary

Hong Kong, 23 July 2002

Principal Office:
13th Floor
Universal Industrial Centre
19-21 Shan Mei Street
Fo Tan, Shatin
New Territories
Hong Kong

Notes:–

(1) A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint a proxy or proxies to attend and, in the event of a poll, vote in his stead. A proxy need not be a member of the Company. In order to be valid, the form of proxy must be deposited at the Company's principal office in Hong Kong, together with a power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, not less than 48 hours before the time for holding the meeting or adjourned meeting.

(2) The Register of Members of the Company will be closed from 23 August 2002 to 30 August 2002, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for attending the forthcoming Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrars, Tengis Limited of 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong not later than 4:00 p.m. on 22 August 2002.

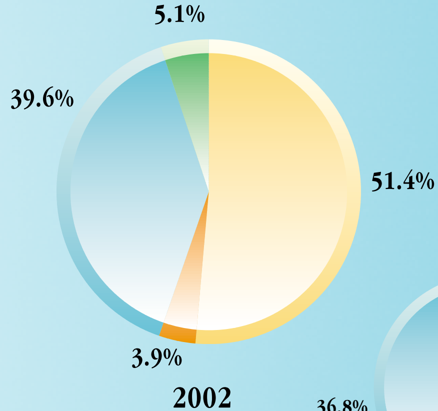
Financial Highlights

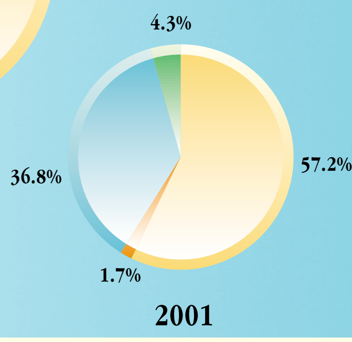
	Year ended 31 March 2002	Year ended 31 March 2001	Growth
Turnover	**HK$272.6 million**	HK$284.2 million	(4.1)%
Net profit/(loss) from ordinary activities attributable to shareholders	**HK$(2.81) million**	HK$4.33 million	(164.9)%
Basic earnings/(loss) per share	**HK(1.16) cents**	HK1.78 cents	(165.2)%
Net assets value	**HK$199.3 million**	HK$202.2 million	(1.4)%

Turnover by Business Segments

in percentage

- Clocks and Other Office Related Products
- Lighting Products
- Trading
- Electroplating Services

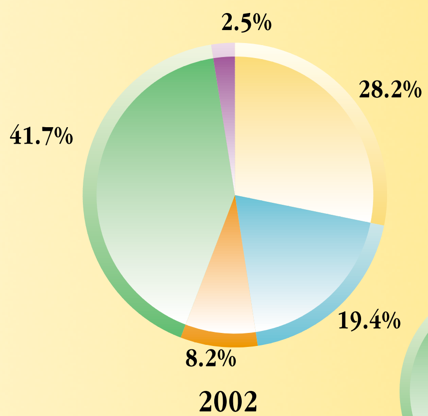


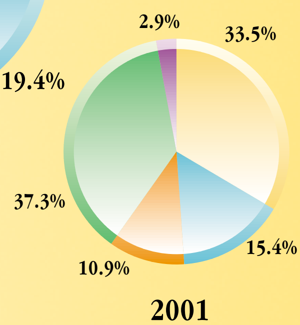


Turnover by Geographical Segments

in percentage

- North America
- Europe
- Hong Kong
- Elsewhere in the PRC
- Others





TO ALL SHAREHOLDERS

On behalf of the Board of Directors of the Company (the "Board"), I am pleased to present to shareholders the Annual Report of Artfield Group Limited and its subsidiaries (collectively the "Group") for the year ended 31 March 2002.

DIVIDENDS

The Board does not recommend the payment of any dividend for the year ended 31 March 2002 (2001: Nil).

RESULTS

For the year ended 31 March 2002, the performance of the Group was affected by the continuous sluggish economy and the September 11 terrorist attack in the United States (the "US"), thus the turnover was recorded approximately HK$272,556,000, representing a decrease of 4.1% compared with last year. The net loss from ordinary activities attributable to shareholders amounted to HK$2,806,000 (2001: net profit of HK$4,330,000).

BUSINESS REVIEW AND PROSPECT

Clocks and Other Office Related Products

Influenced by the wave of global economic recession and uncertainties, most overseas customers with the "wait and see" attitude became conservative in placing their orders which in turn triggered off weak export demands of clocks.

Due to this harsh environment, the performance of manufacturing and marketing of clocks, being the core business segment of the Group, was not immune from sluggish market conditions and suffered setbacks, accounting for approximately 13.9% drop in turnover from previous year. Geographically, owing to unfavorable market conditions in the US, sales to North America decreased by 22.7%. In order to minimize the adverse conditions in the US market, the Management has implemented flexible marketing programs and reinforced the sales efforts in other countries, leading to satisfactory results in Europe. Moreover, through the acquisition of the business of a previously well-known UK-based clock company, Kundo Staiger UK Limited, by the Group in May 2001, turnover of clocks and other office related products segment to Europe's market recorded growth of 8.8%.

In spite of the difficult year that the Group has just overcome, the Group will continue to place strong emphasis on product research and development so as to develop more non-conventional timepiece designs and functions. In addition, the Management will further strengthen its intelligence on market development and product positioning in order to quickly respond to the ever-changing market movements and provide value-to-money products to completely fulfill customers' needs in different countries.

Apart from upgrading our product offerings, the Group persists in stringent cost control to minimize unnecessary expenses and maintain its competitiveness in the long run.

BUSINESS REVIEW AND PROSPECT *(Cont'd)*

Lighting Products

The Group's lighting product segment, Precision Group Limited, achieved a favourable result, with its turnover increased remarkably by 120.7% compared with last year. The profit of the lighting segment amounted to HK$577,000 (2001: loss of HK$517,000). Leveraging our solid experiences in the industry with advance in technical professionalism, our market shares sustained a steady growth.

The Group will continue to invest in advanced machinery and equipment to enhance the product quality and operational efficiency. The Management will also reinforce its sales and marketing efforts in strengthening the sales network in overseas markets and the People's Republic of China (the "PRC") market. For instance, in order to extend the market coverage into the PRC, the Management plans to set up our own booths in malls of major cities such as Beijing, Shanghai and Guangzhou to promote our famous brand "Memolux". In view of this, the Management believes that the lighting segment will have a promising future and will bring better returns to the Group.

Electroplating Services

Despite stiff price competition in the market, the turnover of Ultra Good Electroplating Limited ("Ultra Good"), our 79.75% owned subsidiary, increased by approximately 12.2% to HK$13,833,000. The expertise in materials planning and effective production management enables Ultra Good to achieve satisfactory results in efficiency and cost reduction. Recently, Ultra Good has added the third electroplating production line, which will increase its capacity to gain the advantages of economies of scale. The Group is also dedicated to creating a reputation with its customers that Ultra Good is a provider of high-quality products and services at competitive prices.

Trading

In the stagnant economic environment, the market demands of the commodities such as steel, aluminium ingot, wood and textile chemicals were generally weak. Nevertheless, the turnover of trading segment of the Group recorded a slight increase of 3.4% over the last year. The Management is confident that the rapid development of the PRC will definitely offer plenty of opportunities and increase demands of trading commodities in the year ahead.

PROSPECT

In view of overall economy perspective, it was no doubt that year 2001 was tough and challenging. The tragic event of September 11 has accelerated the pace of recession. Nevertheless, according to the recent US economist statistics, there were signs of recovery in the US and everyone hopes that the global economy will rebound in the second half of this year.

As one of the leading key players in clock industry, the Group keeps eyes on strengthening the product and marketing developments by sharing the synergies of our solid foundations in the clock business and extensive sales network. For evaluating the diversity of customers' tastes in different geographical segments, the Management will strengthen the communication linkages between in-house designers, marketing professionals and our sales teams in overseas subsidiaries by quarterly meetings and periodical customer contacts. This can provide a platform to differentiate our branded and OEM products, as well as to create a distinguished perception of our products from other competitors and formulate effective marketing programs.

PROSPECT *(Cont'd)*

With regard to the consolidation of the Group's one of the largest business divisions, the manufacturing of lighting products, the Management considers to establish a new production plant in the PRC this year. This proposal not only assists to increase the production capabilities of light tube and finished lighting products but also to expand the existing production scale to enhance the long-term vertical integration strategy adopted by the Group. The Management believes that this plan will enhance economies of scale and increase its competitive advantages.

On the other hand, for the business of electroplating services, the Group believes that it still has a good potential for growth. In order to increase the operation efficiency and return on investments, the Management is now reviewing the feasibility of investing in additional electroplating production lines apart from the existing 3 lines to meet the growing market demands.

For wood production development, the wood factory of the Group in Gao Ming City, the PRC has been fully operated for about 2 years. Together with the valuable experiences in mastering wood craft skills and technology, the Management plans to equip more advanced production machinery and wood cutting facilities. The main purposes are to broaden product varieties and produce multi-purposed wood products, such as wooden household products, wooden stationery set and wooden medal to suit the diversified market requirements.

Furthermore, the Group has understood that developing comprehensive sales network is essential to reach our target customers. The Management will penetrate the market boundaries by increasing cooperation with retailers, sales agents and OEM customers around different regions to promote our innovative products and expand the popularity of our medium and high branded products such as "Artex" and "Wehrle" clocks. Taking the PRC market as an example, the Group will extend its sales network covering some major regional centers such as Beijing, Shanghai and Guangzhou City.

With the PRC's accession to the World Trade Organisation, the huge market potential and robust economic growth of the PRC will certainly stimulate our growth. Therefore it is the Group's major marketing policy to expand its market share in the PRC. With the Management's abundant experiences in establishing our solid foundation in the PRC market for several years, in addition to our experienced marketing team in the PRC, the turnover of the PRC market is promising, which accounted for 41.7% of the Group total sales during the year under review. The Management will endeavour to strengthen the marketing and promotion strategies and expand its sales network in the PRC market. It is expected that the booming market opportunities will bring positive contributions to the Group.

Apart from the above development plans, the Group will continue to enhance management quality and monitor the internal control system by exercising stringent cost containment measures, upgrading quality standard and improving the overall efficiency of the operation. To minimize the costs of operation, the relocation of the major manufacturing operations in Germany to the PRC is completed. A new plant was set up in Shenzhen and has begun initial production. It is expected that the advanced production technique will assist the quality assurance of products and cost efficiency.

Looking ahead, the Management is prudently optimistic towards the future prospect. With the aims to capture more market share and more profits in the industry, the Group will continuously evaluate its business portfolios and performances of the existing business operations. The Management expects this continuous exercise will facilitate the Group to effectively reallocate resources into more profitable business and phase out less attractive ones to sharpen its competitive edges.

PROSPECT *(Cont'd)*

The Management will cautiously consider any opportunity to strategically diversify the businesses in the way of acquiring other profitable business or investing in new projects with good potential returns. Referring to the recent government policy of Hong Kong Special Administrative Region (the "HKSAR"), the chief executive strongly emphasizes on developing Hong Kong as a preferred international and regional logistics hub and a supply-chain base. Leveraging our extensive trading and distribution network in the PRC, the Group will consider the opportunity to develop the logistics and distribution business between Hong Kong and the PRC. The potential growth of logistics business is expected to be significant. In overall, the Group will endeavour to achieve its corporate objectives of maximizing the Group's profitability and delivering enhanced value to shareholders and services to customers in the years ahead.

APPRECIATION

Together with all my fellow directors, I sincerely thank all of our staff for their loyalty, commitment and hard work, and our customers, suppliers and shareholders for their continuing support.

By Order of the Board
LIANG Jin You
Chairman

Hong Kong, 23 July 2002

OPERATION

Vertical Integration in Manufacturing

The Group continues to follow the long-term strategy of vertical integration in its manufacturing processes. Cost effective vertical integration has proven its merits of flexibly allocating and committing resources among our various production bases, assuring production quality, shortening production lead-time, maintaining cost controls and achieving on-time delivery. These benefits have underpinned the success of the Group in the past and will continue to form the foundation for future growth.

Quality Control

The Management continues to place strong emphasis on product quality and reliability. In addition to setting adequate incoming and end-of-line quality controls, quality audit and endurance tests are performed on all incoming base materials, components, work in progress and finished goods and throughout the whole production process.

Design, Research and Development

Our products are customer-oriented. Research and development are mostly performed in-house to reduce product development time. During the year under review, over 150 models of clocks and over 45 models of lighting products have been developed and launched to the market under our private labels or our owned brand names with marked success.

Sales and Marketing

As part of our aggressive expansion strategy, the Group continues to strengthen our sales and marketing team in the US, the United Kingdom (the “UK”) and Germany to develop new market segments. Each overseas office is led by high calibre and experienced sale and marketing executives. Their inputs on products, markets and customers allow the Group to keep abreast of useful information on current market and product trends. The intact knowledge on customer demands will enable us to serve them well to their complete satisfaction. The Group is greatly capitalized on this dynamic marketing and distribution network with an ongoing direct business contact with our customers.

The Group continues its strategy of direct sales which has greatly shortened the delivery time of our products to further consolidate our market position in the US and Europe.

PRODUCTS

Analogue Clocks

This is so far the most important product line of the Group. It consists of desk clocks, travel alarm clocks, wall clocks and bell alarm clocks.

During the year under review, the turnover of analogue clocks decreased moderately against keen price competition and prolonged deteriorating market condition in the US market. The Management will strengthen the design of products and sourcing of raw materials in order to improve its sales volume.

PRODUCTS *(Cont'd)*

LCD Products

The turnover of LCD products was HK$11,452,000, representing significant increase of more than 4 times over the last year. The Management will strive to deploy more research and development resources on designs and versatility of this product line and also improve its productivity by lowering production cost.

Lighting Products

With growing concerns on environmental protection and quality consciousness, the Management will continue to improve lighting models of high efficiency and longer lifetime, as well as develop more varieties of energy saving lighting apparatus. The turnover of lighting products was HK$10,605,000, representing an increase for more than 120.7% over the last year.

Together with the years of manufacturing experiences, the Company has developed a standardized quality assurance system in order to meet the relevant safety requirements in overseas and the PRC market. For example, our lighting products quality is highly recognized by complying with the mandatory requirements of recognised TUV tests.

Other Products

The Group will continue to diversify into high margin products in order to stimulate demand and improve sales performance.

SUBSIDIARIES & ASSOCIATE

Artfield Industries (Shenzhen) Ltd. ("AIS")

AIS is our major subsidiary where most of our clock manufacturing operations are located. The Group's senior staff located in AIS impose stringent supervision on all aspects of its operations ranging from workmanship, material control, cost control, inventory control to products quality to ensure that our products have a strong competitive edge over other industry players in terms of both profitability and return on capital expenditure.

An effective sourcing and purchasing strategy has been adopted in order to obtain favourable material prices.

Ferdinand International (Marketing) Limited ("FIM")

After acquiring the business of a previously well-known, UK-based clock company, Kundo Staiger UK Limited ("KS"), by the Group in May 2001, the strong and extensive customers network of KS has brought positive contributions to the Group.

FIM, the wholly-owned subsidiary of the Group in the UK, will continue to put more sales and marketing efforts to expand the business to other geographical regions covering Denmark, Finland, Sweden, Norway, Iceland, Belgium, Ireland, Netherlands, Portugal and Spain. In the year ahead, FIM will assist to launch and promote lighting products in the UK market and the Management is confident that FIM will broaden future developments.

SUBSIDIARIES & ASSOCIATE *(Cont'd)*

Wehrle Uhrenfabrik GmbH ("Wehrle")

Our wholly-owned subsidiary in Germany, Wehrle continues to focus on turning from losses to profits by developing new products, widening customers base, restructuring management and reducing costs. The relocation of the major manufacturing operations from Germany to the Group's factory in Shenzhen has been completed. In order to utilize the relocated production facilities and equipment effectively, the Management arranges the production staff to receive on-job training on technical skills by our Wehrle technical professionals.

The Group will further streamline operation activities and restructure its management in Wehrle in order to strengthen it as one of our trading arms in developing Germany market. It is expected that its performance will be improved in the forthcoming year.

Ultra Good Electroplating Limited ("Ultra Good")

Ultra Good's business is to apply electroplating layers onto plastic or metal surfaces. The electroplating layers include copper, nickel, chrome and gold. It serves the Group as well as outside customers.

Ultra Good's production technology and workmanship are the key in determining the product quality.

Ultra Good recorded a satisfactory result during the year. The total turnover of this product line was HK$13,833,000 against last year's HK$12,326,000, representing an increase of 12.2%.

Right Time Group, Inc. ("Right Time")

As part of our market expansion strategy, Right Time has been set up in the US for about 3 years. The main purpose of Right Time is to serve as a key communication bridge between Hong Kong head office and customers in North America. During the year under review, Right Time recorded only a moderate increase in turnover owing to unfavorable market conditions in the US.

However, the Group believes that market potential in the US is still promising in the near future. Apart from selling the low-ranked "Klik" clocks, it is proposed to introduce our high-ranked brand "Wehrle" to diversify the existing market segment and capture more market share in the US. The Management will remain alert to the anticipation of a worldwide economic rebound and adopt strategies that provide prompt response to market changes.

Precision Group Limited ("Precision")

Precision is responsible for our lighting product segment. It mainly engages in the manufacturing of energy saving lamps, its related parts and components. Its factory is located in Shenzhen, the PRC.

The performance of Precision for the year recorded a satisfactory result even facing with external keen competition. In line with the worldwide consciousness of saving energy and the trend to use environmental friendly products, the Group will continue to improve and upgrade the functions of the lighting products and apply tighter control over cost and labour in order to increase Precision's profitability.

SUBSIDIARIES & ASSOCIATE *(Cont'd)*

Phorm Designs, Inc. ("Phorm")

Phorm previously specialized in product design, development and marketing and ceased operation since 1999 and the Group made a full provision in the same year. The liquidation process was finally completed and Phorm was dissolved in December 2001.

EMPLOYEES

As at 31 March 2002, the Group had 1,847 (2001: 2,039) employees spreading among Hong Kong, the PRC, the US, Germany and the UK. Industrial relationship has been well maintained.

The Group has adopted an extensive training policy for its employees. It has also sponsored senior executives for higher education programs.

The Group has adopted a share option scheme whereby certain employees of the Group may be granted options to acquire shares of the Company.

LIQUIDITY & FINANCIAL RESOURCES

As at 31 March 2002, the Group had total outstanding debts and finance lease obligations of HK$37,482,000 (2001: HK$24,528,000), of which HK$34,503,000 (2001: HK$21,680,000) was secured bank loans, HK$2,335,000 (2001: HK$1,532,000) was secured overdrafts, and HK$644,000 (2001: HK$1,316,000) was obligation under finance leases. The amount repayable within one year accounted for 75.6% (2001: 96.9%) of the total borrowings as at 31 March 2002. Our gearing ratio was at a healthy level of 4.6% (2001: 0.4%). The computation is based on long term borrowings of the Group divided by shareholder's fund as at 31 March 2002.

The Group's sound financial position will provide us with good financial capacity to either expand our existing operation or diversify into other strategic growth business.

CHARGES ON GROUP'S ASSETS

The Group's investment properties with a value of HK$8,000,000 (2001: HK$8,600,000), bank deposits of HK$2,540,000 (2001: HK$5,400,000) and certain of the Group's leasehold land and buildings, and plant and machinery were pledged to secure general banking facilities granted to the Group.

FOREIGN EXCHANGE EXPOSURE

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

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

TREASURY POLICIES

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

CONTINGENT LIABILITIES

As at 31 March 2002, the Group did not have contingent liabilities except bills discounted to banks with recourse amounting to approximately HK$517,000 (2001: HK$76,000).

LIANG Jin You
Chairman

Hong Kong, 23 July 2002

EXECUTIVE DIRECTORS

Mr. LIANG Jin You, aged 45, the Chairman and Managing Director of the Company, is responsible for the Group's overall strategic planning and policy making. He has more than 19 years of experience in trading, industrial management and in the real estate business in Hong Kong and the PRC. He joined the Group in 1998. He is a brother of Mr. LEUNG Kin Yau and the husband of Ms. LI Kwo Yuk.

Ms. LI Kwo Yuk, aged 40, is the Deputy Chairman of the Company, is responsible for overseeing the purchasing department. Ms. LI joined the Group on 1 January 2000 and has more than 16 years' of experience in accounting, trading and administration. She is the wife of Mr. LIANG Jin You.

Mr. LEUNG Kin Yau, aged 38, is responsible for the Group's clock marketing function and trading business. He has more than 13 years of experience in the trading of industrial materials and consumer products between Hong Kong and the PRC. Since 7 January 2002, he was appointed as the Marketing President of the Group to oversee the corporate marketing strategies and manage our local and overseas marketing teams. He joined the Group in 1998 and he is a brother of Mr. LIANG Jin You.

Mr. OU Jian Sheng, aged 39, is the General Manger of Artfield Industries (Shenzhen) Ltd. ("AIS"), a wholly-owned subsidiary of the Company in the PRC. He is responsible for the overall management of AIS. He has a bachelor's degree in mechanical design and is a qualified mechanical engineer. He was employed in 廣州電器科學研究所 (Guangzhou Electrical Appliance Science Research Centre) of 中國機械工業部 (the Mechanical Engineering Industrial Department) and was the factory director of 廣東佛山電風扇總廠 (Guangdong Foshan Electrical Fan General Factory). He joined the Group in August 1999.

Mr. DENG Ju Neng, aged 47, the Managing Director of Ultra Good Electroplating Surface Finishing (Shenzhen) Co., Ltd., a subsidiary of the Company in the PRC, is responsible for the subsidiary's day-to-day operations and overall manufacturing activities. He has more than 19 years of experience in trade, corporate management and real estate development. He joined the Group in 1998.

NON-EXECUTIVE DIRECTOR

Mr. LO Wah Wai, aged 39, has been appointed as a Non-executive Director of the Company since 15 May 2001. He holds a bachelor's degree in business administration from the Chinese University of Hong Kong and is an associate member of the Hong Kong Society of Accountants. Prior to joining the Group in 1998, he worked and held senior positions in both an international accounting firm and an investment bank where he accumulated extensive experience in statutory accounting, corporate finance and strategic investment. He is currently the Chairman and an executive director of B M Intelligence International Limited, a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. It is principally engaged in the provision of business, accounting and corporate development advisory services to companies in Hong Kong and the PRC.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LO Ming Chi, Charles, aged 52, JP, is a member of the Australian Society of Certified Practising Accountants and the Securities Institute of Australia. He is a director of Tak Sing Alliance Holdings Ltd., Hung Fung Group Holdings Limited and New Century Group Hong Kong Limited, all of which are listed on The Stock Exchange of Hong Kong Limited. He has more than 23 years of experience in financial and investment services in Australia, Hong Kong and other Asian countries. He was appointed as an Independent Non-executive Director of the Company in 1998.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Cont'd)*

Mr. CHEUNG Doi Shu, aged 40, is a qualified solicitor in the Australian Capital Territory, Hong Kong, Singapore and England and Wales. He holds a bachelor's and a master's degree in law from the University of London, the United Kingdom. He is the senior partner of D.S. Cheung & Co., whose practice includes securities, corporate finance, China investments and international banking and finance. He is a director of Denway Motors Limited, TPV Holdings Limited, GZI Transport Limited and Prosper eVision Limited, all of which are listed on The Stock Exchange of Hong Kong Limited. He was appointed as an Independent Non-executive Director of the Company in 1998.

SENIOR MANAGEMENT STAFF

Mr. CHAN Tak Wing, aged 43, the Group Financial Controller and Company Secretary, is responsible for the Group's financial, accounting and company secretarial functions. He is an associate of the Institute of Chartered Secretaries and Administrators, and the Association of Cost and Executive Accountants, and is a fellow of the Association of Taxation and Management Accountants in Australia. He joined the Group on 14 August 1995 and has more than 19 years of experience in accounting and finance.

Ms. TSE Fung Sang, aged 61, an Executive Director of Ultra Good Electroplating Limited, a subsidiary of the Company in Hong Kong, is responsible for the overall management and operations of this subsidiary. She joined the Group on 9 May 1991 and has more than 36 years of experience in the electroplating business.

Mr. Paul TURNAGE, aged 51, joined the Group on 18 May 2001, is the Managing Director of Ferdinand International (Marketing) Limited, a wholly-owned subsidiary of the Company in the United Kingdom. He is responsible for the Group's overall business and operations in the United Kingdom. Since 1987, he was the Managing Director of Kundo Staiger UK Limited, a wholly-owned subsidiary of Kundo Staiger GmbH, which was one of Europe's largest clock producers. He has been in the clock industry for 23 years and has extensive knowledge of the European and Far Eastern clock industry.

Mr. Werner JASER, aged 62, is the Sales Manager of Wehrle Uhrenfabrik GmbH, a wholly-owned subsidiary of the Company in Germany. He is responsible for the Group's overall business in major countries of Europe and Middle East. Mr. JASER received substantial training in marketing and sales and has held senior positions in certain wrist watches and clocks companies in the United Kingdom, France, Austria and Switzerland. Before joining the Group in April 2001, he ran his own clock business for more than 10 years. He has more than 31 years of experience in the clock industry.

Mr. Ron KRISHER, aged 45, is the President of Right Time Group Inc., a wholly-owned subsidiary of the Company in the United States. Mr. KRISHER graduated from the Rochester Institute of Technology (New York) and holds a degree in Business Administration with major in Marketing. He is responsible for the Group's overall business in the Americas. Prior to joining the Group, he was the Director of Sales of General Time Corporation, which was the largest clock manufacturer and reseller in the United States. Before that, he also held succeedingly more responsible positions with both Milton Bradley Company and Hunt Corporation. He joined the Group in September 2001 and has over 24 years of experiences in sales and marketing of consumer products via different distribution channels.

SENIOR MANAGEMENT STAFF *(Cont'd)*

Mr. LEE Wai Lung, aged 26, the Chief Accountant, is responsible for the Group's accounting function. Mr. LEE is a graduate of Hong Kong Baptist University in Accountancy. He is presently a member of Hong Kong Society of Accountants and the Chartered Association of Certified Accountants. He has over 4 years experience in auditing, finance and accounting. He joined the Group in August 2001.

Mr. LI Hung Tak, aged 42, is the Plant Superintendent of the Group's factory at Shenzhen. He joined the Group in August 1990 and has more than 16 years of experience in production planning and management.

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2002.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries consisted of the manufacture and marketing of clocks and lighting products, the trading of metals and the provision of electroplating services. There were no significant changes in the nature of the Group's activities during the year.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activities and geographical area of operations for the year ended 31 March 2002 is set out in note 4 to the financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 March 2002 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 26 to 67.

The directors do not recommend the payment of any dividend in respect of the year.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results, assets and liabilities, and minority interests of the Group for the last five financial years, as extracted from the audited financial statements is set out on page 68 of the annual report. This summary does not form part of the audited financial statements.

FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets and investment properties of the Group during the year are set out in note 12 to the financial statements.

SHARE CAPITAL, SHARE OPTIONS AND WARRANTS

Details of the Company's share capital, share options and warrants are set out in note 25 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the bye-laws of the Company or the Laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 26 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 March 2002, the Company had no retained profits available for cash distribution and/or distribution in specie. Under the Companies Act 1981 of Bermuda, the Company's contributed surplus of HK$128,013,000 may be distributed under certain circumstances. In addition, the Company's share premium account with a balance of HK$26,262,000 may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 56% of the total sales for the year and sales to the largest customer included therein amounted to 40%. Purchases from the Group's five largest suppliers accounted for 68% of the total purchases for the year and purchases from the largest supplier included therein amounted to 60%.

As far as the directors are aware, neither the directors, their associates, nor any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Mr. LIANG Jin You	
Ms. LI Kwo Yuk	
Mr. LEUNG Kin Yau	
Mr. OU Jian Sheng	
Mr. DENG Ju Neng	
Mr. LO Wah Wai	(resigned on 15 May 2001)
Mr. YUE Yuk Wah	(resigned on 1 March 2002)

Non-executive director:

Mr. LO Wah Wai	(appointed on 15 May 2001)

Independent non-executive directors:

Mr. LO Ming Chi, Charles
Mr. CHEUNG Doi Shu

In accordance with Articles 86(2) and 87 of the Company's bye-laws, Mr. LEUNG Kin Yau and Mr. LO Ming Chi, Charles will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 16 to 18 of the annual report.

DIRECTORS' SERVICE CONTRACTS

During the year ended 31 March 2002, certain executive directors provided management services to the Group under the following contracts:

Directors	Terms of service	Expiry date
Ms. LI Kwo Yuk	2 years	30 April 2002
Mr. OU Jian Sheng	2 years	4 August 2001
Mr. YUE Yuk Wah (resigned on 1 March 2002)	2 years	28 February 2002

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

None of the above service contracts which expired during the year or subsequent to the balance sheet date are renewed.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a significant beneficial interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party at any time during the year.

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS

At 31 March 2002, the interests of the directors and their associates in the share capital of the Company or its associated corporations, as required to be recorded in the Register of Directors' Interests maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were as follows:

Ordinary shares of the Company

Director	Number of issued ordinary shares of HK$0.10 each in the Company Corporate interest
Mr. LIANG Jin You*	119,184,300

Note:

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

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS *(Cont'd)*

The interests of the directors in the share options of the Company are separately disclosed in the section "Share option scheme" below.

Save as disclosed above, none of the directors, chief executives or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations, as defined in the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the headings "Directors' interests in shares and share options" above and "Share option scheme" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The principal purpose of the share option scheme (the "Scheme") is to recognise the significant contributions of the directors and employees of the Group to the growth of the Group, by rewarding them with opportunities to obtain an ownership interest in the Company and to further motivate and give an incentive to these persons to continue to contribute to the Group's long term success and prosperity.

Eligible participants of the Scheme are the directors and employees of the Group. The Scheme became effective on 21 March 1995 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. At 31 March 2002, the total number of shares issuable under share options granted under the Scheme was 10,908,000, which represented approximately 4.5% of the Company's shares in issue as at that date. The maximum number of shares issuable under share options to each eligible participant in the Scheme is limited to 2.5% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

The offer of a grant of share options may be accepted in writing within 21 days from the date of the offer, with no consideration being payable by the grantee. The exercise period of the share options granted is determinable by the directors, and commences from the date of grant of the share options and ends on a date which is not later than six years from the date of the commencement of the exercise period of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of the nominal value of the shares of the Company or 80% of the average closing price of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the five trading days immediately preceding the date of the grant of the share options.

SHARE OPTION SCHEME *(Cont'd)*

Pursuant to the amendments (the "New Rules") to Chapter 17 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, any options granted after 1 September 2001 must comply with the provisions of the New Rules. If the Company wishes to grant options to its directors or other eligible participants in future, a new share option scheme in compliance with the New Rules is to be approved and adopted by the shareholders of the Company in a general meeting.

The following share options were outstanding under the Scheme during the year:

	Number of share options						Date of		Exercise
Name or category of participants	At 1 April 2001	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	At 31 March 2002	grant of share options	Exercise period of share options	price of share options* *HK$*
Directors									
Mr. LIANG Jin You	2,306,000	–	–	–	–	2,306,000	6 October 1999	6 October 1999 to 20 March 2005	0.2608
Ms. LI Kwo Yuk	2,836,000	–	–	–	–	2,836,000	27 January 2000	27 January 2000 to 20 March 2005	0.6464
Mr. OU Jian Sheng	5,766,000	–	–	–	–	5,766,000	6 October 1999	6 October 1999 to 20 March 2005	0.2608
	10,908,000	–	–	–	–	10,908,000			

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of the share options, the resulting shares issued will be recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares will be recorded by the Company in the share premium account. Options which are cancelled or which lapse prior to their exercise date are deleted from the register of outstanding options.

SUBSTANTIAL SHAREHOLDERS

At 31 March 2002, no person other than Mr. LIANG Jin You, as set out in the section "Directors' interests in shares and share options" above, had registered an interest in 10% or more of the issued share capital of the Company in the register of interests that is required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance.

CODE OF BEST PRACTICE

All of the recommendations and guidelines of the Code of Best Practice issued by the Stock Exchange (the "Code") have been complied with by the Company, except that independent non-executive directors are not appointed for specific terms as required by paragraph 7 of the Code as set out in Appendix 14 of the Listing Rules. According to the bye-laws of the Company, one-third of the directors of the Company will retire by rotation every year and their appointments will be reviewed when they are due for re-election which, in the opinion of the directors, meets the same objective.

AUDIT COMMITTEE

An Audit Committee (the "Committee") has been established since 1999. The Committee meets regularly with senior management to review the accounting principles and practices adopted by the Group and to discuss auditing, internal control and financial reporting matters. The members of the Committee are Mr. LO Ming Chi, Charles and Mr. CHEUNG Doi Shu, both of whom are the independent non-executive directors of the Company.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On Behalf of the Board
LIANG Jin You
Chairman

Hong Kong, 23 July 2002

ERNST & YOUNG
安永會計師事務所

TO THE MEMBERS
ARTFIELD GROUP LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 26 to 67 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2002 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

Hong Kong, 23 July 2002

Year ended 31 March 2002

	Notes	2002 HK$'000	2001 HK$'000
TURNOVER	5	272,556	284,222
Cost of sales		(214,513)	(219,891)
Gross profit		58,043	64,331
Other income		2,221	3,925
Administrative expenses		(48,355)	(50,081)
Selling and distribution costs		(11,769)	(10,484)
Other operating expenses		(1,770)	(742)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	6	(1,630)	6,949
Finance costs	7	(1,961)	(1,857)
Share of profit/(loss) of a jointly-controlled entity		(485)	140
PROFIT/(LOSS) BEFORE TAX		(4,076)	5,232
Tax	9	1,915	96
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		(2,161)	5,328
Minority interests		(645)	(998)
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	10	(2,806)	4,330
EARNINGS/(LOSS) PER SHARE	11		
Basic		HK(1.16) cents	HK1.78 cents
Diluted		N/A	HK1.73 cents

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

Year ended 31 March 2002

	Note	**2002**	2001
		HK$'000	*HK$'000*
Exchange differences arising on translation of the financial statements of overseas subsidiaries	*26*	(90)	322
Net gains/(losses) not recognised in the profit and loss account		(90)	322
Net profit/(loss) for the year attributable to shareholders		(2,806)	4,330
Total recognised gains and losses		(2,896)	4,652

CONSOLIDATED BALANCE SHEET

31 March 2002

	Notes	2002 HK$'000	2001 HK$'000
NON-CURRENT ASSETS			
Fixed assets	12	**112,717**	102,159
Interest in an associate	14	**–**	–
Interest in a jointly-controlled entity	15	**527**	(80)
Intangible assets	16	**162**	253
		113,406	102,332
CURRENT ASSETS			
Investments held for disposal	17	**–**	2,780
Inventories	18	**74,596**	68,583
Accounts and bills receivable	19	**53,145**	45,770
Prepayments, deposits and other receivables		**8,434**	8,477
Pledged bank deposits	23	**2,540**	5,400
Cash and bank balances		**9,729**	20,024
		148,444	151,034
CURRENT LIABILITIES			
Accounts and bills payable	20	**8,887**	6,378
Tax payable		**105**	1,128
Accrued liabilities and other payables		**9,933**	11,664
Interest-bearing bank borrowings	21, 23	**27,830**	23,025
Finance lease payables	22	**489**	754
		47,244	42,949
NET CURRENT ASSETS		**101,200**	108,085
TOTAL ASSETS LESS CURRENT LIABILITIES		**214,606**	210,417
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	21, 23	**9,008**	187
Finance lease payables	22	**155**	562
Deferred tax	24	**–**	1,771
		9,163	2,520
MINORITY INTERESTS		**6,179**	5,737
		199,264	202,160
CAPITAL AND RESERVES			
Issued capital	25	**24,281**	24,281
Reserves	26	**174,983**	177,879
		199,264	202,160

LIANG Jin You
Director

LI Kwo Yuk
Director

Year ended 31 March 2002

	Notes	2002 HK$'000	2001 HK$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	27(a)	(4,666)	(1,709)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		221	495
Interest paid		(1,896)	(1,731)
Interest element of finance lease rental payments		(65)	(126)
Dividend received from unlisted investments in jointly-controlled entities		–	424
Dividend received from investments held for disposal		106	–
Dividend paid to minority shareholders of a subsidiary		(203)	(405)
Net cash outflow from returns on investments and servicing of finance		(1,837)	(1,343)
TAX			
Hong Kong profits tax paid		(620)	(1,244)
Overseas taxes paid		(411)	(731)
Overseas taxes refunded		152	1,436
Taxes paid, net		(879)	(539)
INVESTING ACTIVITIES			
Purchases of fixed assets		(21,891)	(6,692)
Additions to patents and trademarks		(8)	(50)
Proceeds from disposal of fixed assets		289	3,068
Acquisition of a business	27(c)	(606)	–
Proceeds from disposal of a jointly-controlled entity		–	942
Proceeds from disposal of investments held for disposal		3,536	–
Expenditure incurred for disposal of investments held for disposal		(47)	–
Repayment from a jointly-controlled entity		–	1,040
Decrease in pledged bank deposits		2,860	–
Net cash outflow from investing activities		(15,867)	(1,692)
NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES		(23,249)	(5,283)
FINANCING ACTIVITIES	27(b)		
New bank loans		13,471	5,745
Repayment of bank loans		(4,990)	(4,206)
Capital element of finance lease rental payments		(672)	(736)
Net cash inflow from financing activities		7,809	803
DECREASE IN CASH AND CASH EQUIVALENTS		(15,440)	(4,480)

Year ended 31 March 2002

	Notes	2002 HK$'000	2001 HK$'000
DECREASE IN CASH AND CASH EQUIVALENTS		**(15,440)**	(4,480)
Cash and cash equivalents at beginning of year		**5,116**	9,596
CASH AND CASH EQUIVALENTS AT END OF YEAR		**(10,324)**	5,116
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**9,729**	20,024
Bank overdrafts, secured		**(2,335)**	(1,532)
Trust receipt loans with original maturity of less than three months		**(17,718)**	(13,376)
		(10,324)	5,116

31 March 2002

	Notes	2002 HK$'000	2001 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	13	**159,863**	161,376
CURRENT ASSETS			
Prepayments		**154**	115
Cash and bank balances		**135**	60
		289	175
CURRENT LIABILITIES			
Accrued liabilities and other payables		**847**	1,435
NET CURRENT LIABILITIES		**(558)**	(1,260)
		159,305	160,116
CAPITAL AND RESERVES			
Issued capital	25	**24,281**	24,281
Reserves	26	**135,024**	135,835
		159,305	160,116

LIANG Jin You
Director

LI Kwo Yuk
Director

1. CORPORATE INFORMATION AND RELATED PARTY TRANSACTIONS

During the year, the Group was involved in the following principal activities:

- manufacture and marketing of clocks and lighting products;
- trading of metals; and
- provision of electroplating services.

During the year, the Group purchased raw materials of HK$763,000 (2001: HK$5,339,000) from a jointly-controlled entity. The directors consider that purchases of raw materials from a jointly-controlled entity were made according to the published prices and conditions similar to those offered to other customers of the jointly-controlled entity, except that no interest was charged for overdue trade debts.

2. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE

The following new and revised Hong Kong Statements of Standard Accounting Practice ("SSAPs") and related Interpretations are effective for the first time for the current year's financial statements:

- SSAP 9 (Revised): "Events after the balance sheet date"
- SSAP 14 (Revised): "Leases"
- SSAP 18 (Revised): "Revenue"
- SSAP 26: "Segment reporting"
- SSAP 28: "Provisions, contingent liabilities and contingent assets"
- SSAP 29: "Intangible assets"
- SSAP 30: "Business combinations"
- SSAP 31: "Impairment of assets"
- SSAP 32: "Consolidated financial statements and accounting for investments in subsidiaries"
- Interpretation 12: "Business combinations – subsequent adjustment of fair values and goodwill initially reported"
- Interpretation 13: "Goodwill – continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves"

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of those SSAPs and Interpretation are summarised as follows:

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and operating leases, and the required disclosures in respect thereof. Certain amendments have been made to the previous accounting measurement treatments, which may be accounted for retrospectively or prospectively, in accordance with the requirements of this revised SSAP. The revised requirements have not had a material effect on the amounts previously recorded in the financial statements and therefore, no prior year adjustment has been required. The disclosure changes under this SSAP have resulted in changes to the detailed information disclosed for finance leases and operating leases, which are further detailed in notes 22 and 29 to the financial statements.

2. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE *(Cont'd)*

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group's predominant risks or returns are based on business segments or geographical segments, and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information reporting format. The impact of this SSAP is the inclusion of significant additional segment reporting disclosures which are set out in note 4 to the financial statements.

SSAP 30 prescribes the accounting treatment for business combinations, including the determination of the date of acquisition, the method for determining the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill arising on acquisition. This SSAP requires the disclosure of goodwill and negative goodwill in the non-current assets section of the consolidated balance sheet. It requires that goodwill is amortised to the consolidated profit and loss account over its estimated useful life. Negative goodwill is recognised in the consolidated profit and loss account depending on the circumstances from which it arose, as further described in the accounting policy for negative goodwill disclosed in note 3 to the financial statements. Interpretation 13 prescribes the application of SSAP 30 to goodwill arising from acquisitions in previous years which remains eliminated against consolidated reserves. The adoption of this SSAP and Interpretation has not resulted in a prior year adjustment for the reasons detailed in note 26 to the financial statements. The required new additional disclosures are included in note 26 to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with SSAPs, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of investment properties and certain fixed assets, as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2002. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The Company's interests in subsidiaries are stated at cost less any impairment losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture company is treated as:

(a) a subsidiary, if the Group has unilateral control over the joint venture company;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control over the joint venture company;

(c) an associate, if the Group does not have unilateral or joint control, but holds generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or

(d) a long term investment, if the Group holds less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Investments in jointly-controlled entities other than those accounted for as a subsidiary or under the equity method of accounting are stated at cost less any impairment losses. Investment income is recognised when the shareholders' right to receive payment has been established.

Associates

An associate is a company, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in the associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Cont'd)*

Goodwill

Goodwill arising on the acquisition of subsidiaries, associates and jointly-controlled entities represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

In prior years, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. The Group has adopted the transitional provision of SSAP 30 that permits goodwill on acquisitions which occurred prior to the Group's accounting period beginning on 1 April 2001 to remain eliminated against consolidated reserves.

On disposal of subsidiaries, associates or jointly-controlled entities, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill, including goodwill remaining eliminated against consolidated reserves, is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

Negative goodwill

Negative goodwill arising on the acquisition of subsidiaries, associates and jointly-controlled entities represents the excess of the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition, over the cost of the acquisition.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated profit and loss account when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/ amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

In the case of associates and jointly-controlled entities, any negative goodwill not yet recognised in the consolidated profit and loss account is included in the carrying amount thereof, rather than as a separately identified item on the consolidated balance sheet.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Cont'd)*

Negative goodwill *(Cont'd)*

In prior years, negative goodwill arising on acquisitions was credited to the consolidated reserve in the year of acquisition. The Group has adopted the transitional provision of SSAP 30 that permits negative goodwill on acquisitions which occurred prior to the Group's accounting period beginning on 1 April 2001 to remain credited to the consolidated reserve. Negative goodwill on subsequent acquisitions is treated according to the new accounting policy above.

On disposal of subsidiaries, associates or jointly-controlled entities, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of negative goodwill which has not been recognised in the consolidated profit and loss account and any relevant reserves as appropriate. Any attributable negative goodwill previously credited to the consolidated reserve at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Cont'd)*

Fixed assets and depreciation

Fixed assets, other than investment properties and construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Changes in the values of fixed assets, other than investment properties, are dealt with as movements in the property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the property revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

In accordance with the transitional provisions as set out in SSAP 17 "Property, plant and equipment", subsequent revaluations of the leasehold land and buildings of the Group will not be undertaken on a regular basis.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land	Over the lease terms
Leasehold buildings	5%
Leasehold improvements	15%
Plant and machinery	20%
Furniture, equipment and motor vehicles	15% to 25%

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account, is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents the costs incurred in connection with the construction of fixed assets, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs incurred during the period of construction, installation and testing. Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed, and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated, except where the unexpired term of the lease is 20 years or less, in which case depreciation is provided on the carrying amount over the remaining terms of the lease, and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the values of investment properties are dealt with as movements in the property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

On the disposal of an investment property, the relevant portion of the property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

Intangible assets

Patents and trademarks

Patents and trademarks, which represent the registration fees of patents and trademarks, are stated at cost less any impairment losses and are amortised on the straight-line basis over their useful lives of five years.

Research and development costs

All research costs are charged to the profit and loss account as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the projects are clearly defined; the expenditure is separately identifiable and can be measured reliably; there is reasonable certainty that the projects are technically feasible; and the products have commercial value. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the expected useful lives of the related products subject to a maximum period of five years commencing from the date when the products are available for use.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Cont'd)*

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and are depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Accounts receivable

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 120 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are regularly reviewed by senior management.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on the estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) provision of electroplating services, when the related services are rendered;

(c) rental income, on a time proportion basis over the lease terms;

(d) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and

(e) dividends, when the shareholders' right to receive payment has been established.

Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries, associates and jointly-controlled entities are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. The MPF Scheme has operated since 1 December 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account 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 the People's Republic of China (the "PRC") are members of the state-managed retirement benefits scheme operated by the PRC government. The retirement scheme contributions, which are based on a certain percentage of the salaries of the PRC subsidiaries' employees, are charged to the profit and loss account in the period to which they relate and represent the amount of contributions payable by these subsidiaries to this scheme.

4. SEGMENT INFORMATION

SSAP 26 was adopted during the year, as detailed in note 2 to the financial statements. Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. 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 other business segments. Summary details of the business segments are as follows:

(a) the clock 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 manufacture and marketing of energy saving lighting products;

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

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

In determining the Group's geographical segments, revenues and results 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.

4. **SEGMENT INFORMATION** *(Cont'd)*

(a) **Business segments**

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

Group

	Clocks and other office related products		Lighting products		Trading		Electroplating services		Consolidated	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:										
Sales to external customers	**140,057**	162,609	**10,605**	4,805	**108,061**	104,482	**13,833**	12,326	**272,556**	284,222
Segment results	**4,073**	9,346	**577**	(517)	**2,459**	4,383	**2,515**	4,633	**9,624**	17,845
Interest and dividend income									**327**	919
Net unallocated expenses									**(11,581)**	(11,815)
Profit/(loss) from operating activities									**(1,630)**	6,949
Finance costs									**(1,961)**	(1,857)
Share of profit/(loss) of a jointly-controlled entity	**(485)**	140	**–**	–	**–**	–	**–**	–	**(485)**	140
Profit/(loss) before tax									**(4,076)**	5,232
Tax									**1,915**	96
Profit/(loss) before minority interests									**(2,161)**	5,328
Minority interests									**(645)**	(998)
Net profit/(loss) from ordinary activities attributable to shareholders									**(2,806)**	4,330

4. **SEGMENT INFORMATION** *(Cont'd)*

(a) **Business segments** *(Cont'd)*

Group

	Clocks and other office related products 2002 HK$'000	Clocks and other office related products 2001 HK$'000	Lighting products 2002 HK$'000	Lighting products 2001 HK$'000	Trading 2002 HK$'000	Trading 2001 HK$'000	Electroplating services 2002 HK$'000	Electroplating services 2001 HK$'000	Consolidated 2002 HK$'000	Consolidated 2001 HK$'000
Segment assets	140,337	134,237	7,953	8,274	39,055	33,172	17,596	19,602	204,941	195,285
Interest in an associate									–	–
Interest in a jointly-controlled entity	527	(80)	–	–	–	–	–	–	527	(80)
Unallocated assets									56,382	58,161
Total assets									261,850	253,366
Segment liabilities	14,426	12,484	750	1,025	–	–	1,278	1,728	16,454	15,237
Unallocated liabilities									39,953	30,232
Total liabilities									56,407	45,469
Other segment information:										
Capital expenditure	6,714	6,824	–	48	–	–	523	521	7,237	7,393
Unallocated capital expenditure									15,260	695
Depreciation and amortisation	6,672	8,630	413	468	–	–	1,503	1,425	8,588	10,523
Unallocated depreciation and amortisation									1,526	1,523
Unallocated impairment loss recognised in the profit and loss account									1,099	–
Other non-cash expense	71	206	–	–	–	–	–	–	71	206
Unallocated non-cash expenses									600	536

4. **SEGMENT INFORMATION** *(Cont'd)*

(b) **Geographical segments**

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

Group

	North America		Europe		Hong Kong		Elsewhere in the PRC		Others		Consolidated	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001
	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 revenue:												
Sales to external customers	**76,739**	95,244	**52,863**	43,653	**22,461**	30,990	**113,652**	106,137	**6,841**	8,198	**272,556**	284,222
Segment results	**1,438**	6,618	**289**	2,257	**3,782**	4,769	**4,319**	4,322	**(204)**	(121)	**9,624**	17,845
Other segment information:												
Segment assets	**3,268**	6,431	**17,129**	14,516	**62,822**	57,611	**178,631**	174,808	**–**	–	**261,850**	253,366
Capital expenditure	**–**	326	**814**	109	**15,159**	742	**6,524**	6,911	**–**	–	**22,497**	8,088

5. **TURNOVER**

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

6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

The Group's profit/(loss) from operating activities is arrived at after charging/(crediting):

	2002	2001
	HK$'000	*HK$'000*
Cost of inventories sold	211,176	215,292
Cost of services provided	7,270	6,155
Staff costs (excluding directors' emoluments, note 8):		
Wages and salaries	42,764	45,398
Provident fund contributions	597	167
	43,361	45,565
Depreciation	10,015	11,848
Amortisation of patents and trademarks*	99	198
Auditors' remuneration:		
Current year provision	930	930
Overprovision in prior year	–	(14)
Research and development expenditure	2,342	2,466
Minimum lease payments under operating leases for land and buildings	1,425	497
Exchange losses, net	633	346
Provision for bad and doubtful debts	71	206
Provision for impairment in value of fixed assets	1,099	–
Deficit on revaluation of fixed assets	600	400
Loss/(gain) on disposal of fixed assets	(29)	136
Write-back of provision for inventories	(3,933)	(1,556)
Write-back of provision for interest in a jointly-controlled entity	–	(1,040)
Gain on disposal of interest in a jointly-controlled entity	–	(942)
Gain on disposal of investments held for disposal	(709)	–
Dividend income from unlisted investments in jointly-controlled entities	–	(424)
Dividend income from investments held for disposal	(106)	–
Gross rental income	(1,238)	(1,024)
Less: Outgoings	82	–
Net rental income	(1,156)	(1,024)
Interest income	(221)	(495)

* *The amortisation of patents and trademarks for the year are included in "Administrative expenses" on the face of the consolidated profit and loss account.*

6. **PROFIT/(LOSS) FROM OPERATING ACTIVITIES** *(Cont'd)*

The costs of inventories sold and services provided include HK$28,081,000 (2001: HK$28,812,000) relating to staff costs, depreciation and minimum lease payments under operating leases for land and buildings, which are also included in the respective total amounts disclosed separately above for these types of expenses.

7. **FINANCE COSTS**

	Group	
	2002	2001
	HK$'000	*HK$'000*
Interest expense on:		
Bank loans and overdrafts wholly repayable within five years	**1,796**	1,731
Bank loans repayable beyond five years	**100**	–
Finance leases	**65**	126
	1,961	1,857

8. **REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID EMPLOYEES**

Directors' remuneration

Directors' remuneration disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Section 161 of the Hong Kong Companies Ordinance is as follows:

	2002	2001
	HK$'000	*HK$'000*
Fees:		
Executive directors	**–**	240
Independent non-executive directors	**200**	200
	200	440
Other emoluments of executive directors:		
Basic salaries, housing benefits, other allowances and benefits in kind	**5,333**	6,427
Provident fund contributions	**51**	28
	5,384	6,455
	5,584	6,895

8. **REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID EMPLOYEES** *(Cont'd)*

Directors' remuneration *(Cont'd)*

The number of directors whose remuneration fell within the bands set out below is as follows:

	2002 Number of directors	2001 Number of directors
Nil – HK$1,000,000	7	9
HK$1,000,001 – HK$1,500,000	1	1
HK$2,000,001 – HK$2,500,000	1	1
	9	11

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2001: Nil).

Five highest paid employees

The five highest paid employees during the year included four (2001: Five) directors, details of whose remuneration are set out above. The details of the remuneration of the remaining one non-director, highest paid (2001: Nil) employee, which fell within the nil – HK$1,000,000 band are as follows:

	Group	
	2002 *HK$'000*	2001 *HK$'000*
Basic salaries, housing benefits, other allowances and benefits in kind	525	–
Provident fund contributions	12	–
	537	–

During the year, no emoluments were paid by the Group to the directors, or the non-director, highest paid employee as an inducement to join or upon joining the Group, or as compensation for loss of office (2001: Nil).

9. TAX

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during the year.

At 31 March 2002, three (2001: five) subsidiaries, which were established in the PRC, were exempted from PRC income tax for two years from their first profit-making year and were eligible for a 50% relief from PRC corporate income tax ("CIT") for the following three years under the Income Tax Law of the PRC. The current tax rates that would otherwise be applicable to these subsidiaries range from 15% to 24%.

Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the jurisdictions in which the subsidiaries operated during the year, based on existing legislation, interpretations and practices in respect thereof.

	2002	2001
	HK$'000	*HK$'000*
Group:		
Hong Kong:		
Current year provision	**(260)**	(1,146)
Overprovision in prior years	**249**	254
Deferred *(note 24)*	**1,771**	–
	1,760	(892)
Elsewhere:		
Current year provision	**(185)**	(451)
Overprovision in prior years	**188**	–
Rebate relating to prior years	**152**	1,439
	155	988
Tax credit for the year	**1,915**	96

10. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year ended 31 March 2002 dealt with in the financial statements of the Company was HK$811,000 (2001: net profit of HK$291,000).

11. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net loss from ordinary activities attributable to shareholders for the year of HK$2,806,000 (2001: net profit of HK$4,330,000) and the weighted average number of 242,807,500 (2001: 242,807,500) ordinary shares in issue during the year.

No diluted loss per share is shown for the year ended 31 March 2002 as the effect of the Company's share options outstanding during the year was anti-dilutive. In addition, the exercise price of the warrants granted and outstanding during the year, was higher than the average market price of the Company's shares and, accordingly, there is no dilutive effect on the basic loss per share.

The calculation of diluted earnings per share for the year ended 31 March 2001 was based on the net profit from ordinary activities attributable to shareholders for that year of HK$4,330,000. The weighted average number of ordinary shares used in the calculation was the 242,807,500 ordinary shares in issue during the year ended 31 March 2001, as used in the basic earnings per share calculation, and the weighted average number of 6,995,714 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all options outstanding during the year ended 31 March 2001.

12. FIXED ASSETS

Group

	Investment properties *HK$'000*	Leasehold land and buildings *HK$'000*	Leasehold improve-ments *HK$'000*	Construction in progress *HK$'000*	Plant and machinery *HK$'000*	Furniture, equipment and motor vehicles *HK$'000*	Total *HK$'000*
Cost or valuation:							
At beginning of year	8,600	93,211	833	–	46,246	40,534	189,424
Additions	–	14,577	–	4,747	1,234	1,333	21,891
Acquisition of a business	–	–	–	–	63	543	606
Transfers	–	2,792	–	(4,747)	–	1,955	–
Disposals	–	–	–	–	(25)	(336)	(361)
Deficit on revaluation	(600)	–	–	–	–	–	(600)
Exchange realignment	–	43	–	–	(5)	9	47
At 31 March 2002	**8,000**	**110,623**	**833**	**–**	**47,513**	**44,038**	**211,007**
Accumulated depreciation and impairment:							
At beginning of year	–	17,241	188	–	35,585	34,251	87,265
Provided during the year	–	3,330	105	–	4,343	2,237	10,015
Impairment during the year recognised in the profit and loss account	–	1,099	–	–	–	–	1,099
Disposals	–	–	–	–	(25)	(76)	(101)
Exchange realignment	–	11	–	–	(3)	4	12
At 31 March 2002	**–**	**21,681**	**293**	**–**	**39,900**	**36,416**	**98,290**
Net book value:							
At 31 March 2002	**8,000**	**88,942**	**540**	**–**	**7,613**	**7,622**	**112,717**
At 31 March 2001	8,600	75,970	645	–	10,661	6,283	102,159

12. **FIXED ASSETS** *(Cont'd)*

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

	2002	2001
	HK$'000	*HK$'000*
Medium term leasehold land and buildings in Hong Kong:		
At cost	18,606	4,129
At 1995 professional valuation	31,809	31,809
	50,415	35,938
Medium term leasehold land and buildings outside Hong Kong:		
At cost	29,382	26,447
At 1995 professional valuation	30,826	30,826
	60,208	57,273
Total cost or valuation	110,623	93,211

The valuation of the medium term leasehold land and buildings was carried out by Knight, Frank & Kan, an independent firm of professional valuers, on an open market, existing use basis as at 31 January 1995. 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 2002 would be restated at HK$22,336,000 (2001: HK$24,722,000).

The net book value of assets held under finance leases included in the total amount of plant and machinery of the Group as at 31 March 2002 amounted to HK$732,000 (2001: HK$1,316,000).

The investment properties are situated in Hong Kong and are held under medium term leases.

The Group's investment properties were revalued on 31 March 2002 by K.T. Liu Surveyors Limited, an independent firm of professional valuers, at HK$8,000,000 (2001: HK$8,600,000) on an open market basis. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 29 to the financial statements.

At 31 March 2002, the Group's investment properties, certain of the Group's leasehold land and buildings and plant and machinery were pledged to secure general banking facilities granted to the Group (note 23).

13. INTERESTS IN SUBSIDIARIES

	Company 2002 HK$'000	Company 2001 HK$'000
Unlisted investments, at cost	**118,249**	118,249
Due from subsidiaries	**81,368**	82,881
Less: Provision for impairment	**(39,754)**	(39,754)
	159,863	161,376

The amounts due from subsidiaries are unsecured, interest-free and are not repayable within twelve months.

The following table lists the particulars of the principal subsidiaries of the Company as at 31 March 2002 which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Name	Place of incorporation/ registration and operations	Nominal value of paid-up registered/ issued share capital	Percentage of equity attributable to the Company 2002	2001	Principal activities
Directly held:					
Artfield Company Limited	British Virgin Islands	Ordinary US$50,010	**100**	100	Investment holding
Indirectly held:					
Artfield Manufacturing Company Limited	Hong Kong	Ordinary HK$1,000 Non-voting deferred HK$2,000,000	**100**	100	Manufacture and marketing of clocks, and trading of metals
Artfield Industries (Shenzhen) Ltd.	People's Republic of China	RMB46,000,000	**100**	100	Manufacture of clocks
Ultra Good Electroplating Limited	Hong Kong	Ordinary HK$4,000,000	**79.75**	79.75	Provision of electroplating services
Ultra Good Electroplating Surface Finishing (Shenzhen) Co., Ltd.	People's Republic of China	US$600,000	**79.75**	79.75	Provision of electroplating services

13. INTERESTS IN SUBSIDIARIES *(Cont'd)*

Name	Place of incorporation/ registration and operations	Nominal value of paid-up registered/ issued share capital	Percentage of equity attributable to the Company 2002	2001	Principal activities
Indirectly held: (Cont'd)					
Dixon Design Limited	British Virgin Islands	Ordinary US$10,000	**100**	100	Ownership of patents and trademarks
Wehrle Uhrenfabrik GmbH	Germany	EUR255,646	**100**	100	Manufacture and marketing of clocks
Precision Group Limited	British Virgin Islands	Ordinary US$437,000	**100**	100	Investment holding
City Bright International Limited	Hong Kong	Ordinary HK$2,000,000	**100**	100	Investment holding
Everbright Lighting Limited	Hong Kong	Ordinary HK$1,000,000	**100**	100	Trading of lighting products
Everbright Lighting (Hong Kong) Limited	Hong Kong	Ordinary HK$2	**100**	100	Trading of lighting products
City Bright Lighting (Shenzhen) Co., Ltd.	People's Republic of China	HK$3,000,000	**100**	100	Manufacture of lighting products
German Time Limited	Hong Kong	Ordinary HK$2,000,000	**100**	100	Property holding
Artfield Industries (Gaoming) Ltd.	People's Republic of China	HK$7,000,000	**100**	100	Manufacture of wooden products
高明豐雅鐘錶有限公司	People's Republic of China	HK$1,500,000	**100**	100	Manufacture and marketing of clocks
East Champion International Limited	Hong Kong	Ordinary HK$1,200	**100**	100	Property holding
Right Time Group, Inc.	United States of America	US$10,000	**100**	100	Marketing of clocks
Royal Success Enterprises Limited	Hong Kong	Ordinary HK$4	**100**	100	Investment holding
Smart Best Development Limited	Hong Kong	Ordinary HK$4	**100**	100	Property investment
Ferdinand International (Marketing) Limited	United Kingdom	GBP10,000	**100**	100	Marketing of clocks

14. INTEREST IN AN ASSOCIATE

	Group 2002 HK$'000	Group 2001 HK$'000
Share of net assets	–	–

The associate was liquidated during the year. The Group did not equity account for its share of the operating results of the associate for the period from 1 April 2000 to the date of liquidation of the associate because the Group had ceased to have any significant influence over the operating and financial policies of the associate, and had fully provided for its interest in the associate in prior years. The Group's share of the post-acquisition accumulated deficit of the associate prior to its liquidation was HK$627,000 (2001: HK$627,000).

Particulars of the associate were as follows:

Name	Business structure	Place of incorporation and operations	Nominal value of paid-up ordinary share capital	Percentage of equity attributable to the Group 2002	Percentage of equity attributable to the Group 2001	Principal activity
Phorm Designs, Inc.	Corporate	United States of America	US$282,664	–	30	Liquidated

15. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	Group 2002 HK$'000	Group 2001 HK$'000
Share of net assets	527	1,012
Due to a jointly-controlled entity	–	(1,092)
	527	(80)

The amount due to the jointly-controlled entity was unsecured, interest-free and was settled during the year. The Group's share of net loss contributed by the jointly-controlled entity for the year amounted to HK$485,000 (2001: net profit of HK$140,000). The Group's share of the post-acquisition accumulated losses of the jointly-controlled entity as at 31 March 2002 was HK$692,000 (2001: HK$207,000).

15. INTEREST IN A JOINTLY-CONTROLLED ENTITY *(Cont'd)*

Particulars of the jointly-controlled entity are as follows:

Name	Business structure	Place of registration and operations	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activity
Shanghai Shen Ya Lacquerware Wooden Products Co., Ltd.	Corporate	People's Republic of China	48	40	48	Manufacture of wooden products

16. INTANGIBLE ASSETS

Group

	Patents and trademarks *HK$'000*
Cost:	
At beginning of year	1,586
Additions	8
Exchange realignment	(3)
At 31 March 2002	**1,591**
Accumulated amortisation:	
At beginning of year	1,333
Provided during the year	99
Exchange realignment	(3)
At 31 March 2002	**1,429**
Net book value:	
At 31 March 2002	**162**
At 31 March 2001	253

17. INVESTMENTS HELD FOR DISPOSAL

The investments held for disposal represented the Group's investments in Jiangxi Guixi-Acepoint Lightings Co., Ltd. ("Acepoint") and Jiangxi Hongya Lamps Co., Ltd. ("Hongya"), two equity-accounted jointly-controlled entities of the Group at 31 March 1999. During the year ended 31 March 2000, the Group disposed of 35% and 30% (the "Partial Disposals") of the equity interests in Acepoint and Hongya, respectively. Pursuant to the respective sale and purchase agreements regarding the Partial Disposals, the Group ceased to exercise control or significant influence over the operating and financial policies of Acepoint and Hongya after the Partial Disposals and the Group had the option to dispose of its remaining equity interests of 25% each in Acepoint and Hongya after 30 June 2001. The Group exercised the option in July 2001 and, accordingly, disposed of the respective investments in Acepoint and Hongya.

18. INVENTORIES

	Group	
	2002	2001
	HK$'000	*HK$'000*
Raw materials	**32,699**	28,273
Work in progress	**30,135**	29,127
Finished goods	**11,762**	11,183
	74,596	68,583

No inventories were stated at net realisable value at 31 March 2002 (2001: Nil).

19. ACCOUNTS AND BILLS RECEIVABLE

The ageing of the Group's accounts and bills receivable as at the balance sheet date, based on the date of goods delivered, is analysed as follows:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Outstanding balances with ages:		
Within 90 days	**35,986**	43,606
Between 91 to 365 days	**16,612**	1,998
Over 1 year	**547**	166
	53,145	45,770

20. ACCOUNTS AND BILLS PAYABLE

The ageing of the Group's accounts and bills payable as at the balance sheet date, based on the date of goods received, is analysed as follows:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Outstanding balances with ages:		
Within 90 days	**7,815**	6,056
Between 91 to 365 days	**899**	164
Over 1 year	**173**	158
	8,887	6,378

21. INTEREST-BEARING BANK BORROWINGS

	Group	
	2002	2001
	HK$'000	*HK$'000*
Bank overdrafts, secured	**2,335**	1,532
Trust receipt loans, secured	**17,718**	13,376
Bank loans, secured and repayable:		
Within one year	**7,777**	8,117
In the second year	**536**	187
In the third to fifth years, inclusive	**1,715**	–
Beyond five years	**6,757**	–
	36,838	23,212
Portion classified as current liabilities	**(27,830)**	(23,025)
Non-current portion	**9,008**	187

22. FINANCE LEASE PAYABLES

The Group leases certain of its plant and machinery for its business operation. These leases are classified as finance leases and have remaining lease terms ranging from 2 to 16 months.

At 31 March 2002, the total future minimum lease payments under finance leases and their present values, were as follows:

Group	Minimum lease payments		Present value of minimum lease payments	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable:				
Within one year	**512**	765	**489**	754
In the second year	**157**	528	**155**	433
In the third to fifth years, inclusive	**–**	158	**–**	129
Total minimum finance lease payments	**669**	1,451	**644**	1,316
Future finance charges	**(25)**	(135)		
Total net finance lease payables	**644**	1,316		
Portion classified as current liabilities	**(489)**	(754)		
Non-current portion	**155**	562		

SSAP 14 was revised and implemented during the year, as detailed in note 2 to the financial statements. Certain new disclosures are required and have been included above. The prior year comparative amounts for the new disclosures have also been included where appropriate.

23. BANKING FACILITIES

At 31 March 2002, the Group's banking facilities were supported by the following:

(a) pledge of the Group's fixed deposits of HK$2,540,000 (2001: HK$5,400,000);

(b) legal charges over the Group's investment properties, certain of the Group's leasehold land and buildings and plant and machinery; and

(c) corporate guarantees from the Company and certain subsidiaries of the Company.

24. DEFERRED TAX

	Group	
	2002	2001
	HK$'000	*HK$'000*
Balance at beginning of year	**1,771**	1,771
Credit for the year *(note 9)*	**(1,771)**	–
At 31 March	**–**	1,771

The principal components of the Group's deferred tax liabilities provided for at 31 March 2001 represented accelerated depreciation allowances.

The revaluation of the Group's leasehold land and buildings does not constitute timing differences and, consequently, the amount of potential deferred tax thereon has not been quantified.

Deferred tax has not been provided for the Company (2001: Nil) and the Group (2001: HK$1,771,000) because there were no significant timing differences at the balance sheet date.

25. SHARE CAPITAL

Shares

	2002	2001
	HK$'000	*HK$'000*
Authorised:		
900,000,000 ordinary shares of HK$0.10 each	**90,000**	90,000
Issued and fully paid:		
242,807,500 ordinary shares of HK$0.10 each	**24,281**	24,281

Share options

The Company operates a share option scheme (the "Scheme"), details of which are set out under the heading "Share option scheme" in the Report of the Directors.

The exercise in full of the outstanding 10,908,000 (2001: 10,908,000) share options at 31 March 2002 would, under the present capital structure of the Company, result in the issue of 10,908,000 (2001: 10,908,000) additional shares of HK$0.10 each for a total consideration, before expenses, of approximately HK$3,938,000 (2001: HK$3,938,000).

No share options had been granted or exercised during the year ended 31 March 2002.

25. SHARE CAPITAL *(Cont'd)*

Warrants

During the year, a bonus issue of warrants was made in the proportion of one warrant for every five shares held by members on the register of members on 31 August 2001, other than those whose registered addresses were outside Hong Kong, resulting in 48,561,500 warrants being issued. Each warrant entitles the holder thereof to subscribe for one ordinary share of HK$0.10 at a subscription price of HK$1.23 per share, payable in cash and subject to adjustment, at any time within the period from 20 February 2004 to 1 March 2004 (both dates inclusive).

The exercise in full of such warrants would, under the present capital structure of the Company, result in the issue of 48,561,500 additional shares of HK$0.10 each for a total consideration, before expenses, of approximately HK$59,731,000.

26. RESERVES

Group

2001

	Share premium account	Property revaluation reserve	Capital reserve	Reserve and enterprise expansion funds	Exchange fluctuation reserve	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of year	26,262	27,107	42,516	8,451	(2,720)	71,611	173,227
Transfer to reserve and enterprise expansion funds	–	–	–	433	–	(433)	–
Disposal of fixed assets	–	(947)	–	–	–	947	–
Arising on translation of the financial statements of overseas subsidiaries	–	–	–	–	322	–	322
Net profit for the year	–	–	–	–	–	4,330	4,330
At 31 March 2001	26,262	26,160	42,516	8,884	(2,398)	76,455	177,879
Reserves retained by:							
Company and subsidiaries	26,262	26,160	42,516	8,884	(2,983)	77,289	178,128
Associate	–	–	–	–	–	(627)	(627)
Jointly-controlled entity	–	–	–	–	585	(207)	378
At 31 March 2001	26,262	26,160	42,516	8,884	(2,398)	76,455	177,879

26. RESERVES *(Cont'd)*

Group

2002

	Share premium account	Property revaluation reserve	Capital reserve	Reserve and enterprise expansion funds	Exchange fluctuation reserve	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of year	26,262	26,160	42,516	8,884	(2,398)	76,455	177,879
Transfer to reserve and enterprise expansion funds	–	–	–	232	–	(232)	–
Arising on translation of the financial statements of overseas subsidiaries	–	–	–	–	(90)	–	(90)
Net loss for the year	–	–	–	–	–	(2,806)	(2,806)
At 31 March 2002	**26,262**	**26,160**	**42,516**	**9,116**	**(2,488)**	**73,417**	**174,983**
Reserves retained by:							
Company and subsidiaries	26,262	26,160	42,516	9,116	(3,073)	74,109	175,090
Jointly-controlled entity	–	–	–	–	585	(692)	(107)
At 31 March 2002	**26,262**	**26,160**	**42,516**	**9,116**	**(2,488)**	**73,417**	**174,983**

As detailed in note 3 to the financial statements, the Group has adopted the transitional provision of SSAP 30 which permits goodwill and negative goodwill in respect of acquisitions which occurred prior to the Group's accounting period beginning on 1 April 2001 to remain eliminated against consolidated reserves.

The amount of goodwill and negative goodwill remaining in consolidated capital reserves, arising from the acquisition of subsidiaries prior to the Group' accounting period beginning on 1 April 2001, were HK$4,575,000 (2001: HK$4,575,000) and HK$1,097,000 (2001: HK$1,097,000), respectively, as at 31 March 2002. The amounts of goodwill and negative goodwill, which arose in prior years, are stated at cost.

In accordance with 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.

26. RESERVES *(Cont'd)*

Company

	Share premium account *HK$'000*	**Contributed surplus** *HK$'000*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*
At 1 April 2000	26,262	128,013	(18,731)	135,544
Net profit for the year	–	–	291	291
At 31 March 2001 and 1 April 2001	26,262	128,013	(18,440)	135,835
Net loss for the year	–	–	(811)	(811)
At 31 March 2002	**26,262**	**128,013**	**(19,251)**	**135,024**

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.

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) **Reconciliation of profit/(loss) from operating activities to net cash outflow from operating activities**

	2002	2001
	HK$'000	*HK$'000*
Profit/(loss) from operating activities	(1,630)	6,949
Interest income	(221)	(495)
Dividend income	(106)	(424)
Depreciation	10,015	11,848
Provision for impairment in value of fixed assets	1,099	–
Deficit on revaluation of fixed assets	600	400
Amortisation of patents and trademarks	99	198
Gain on disposal of interest in a jointly-controlled entity	–	(942)
Gain on disposal of investments held for disposal	(709)	–
Write-back of provision for interest in a jointly-controlled entity	–	(1,040)
Loss/(gain) on disposal of fixed assets	(29)	136
Increase in accounts and bills receivable, prepayments, deposits and other receivables	(7,332)	(4,777)
Increase in inventories	(6,138)	(4,858)
Increase/(decrease) in accounts and bills payable, accrued liabilities and other payables	778	(8,514)
Decrease in an amount due to a jointly-controlled entity	(1,092)	(190)
Net cash outflow from operating activities	(4,666)	(1,709)

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Cont'd)*

(b) **Analysis of changes in financing during the year**

	Issued capital and share premium account	Bank loans and finance lease payables	Minority interests
	HK$'000	*HK$'000*	*HK$'000*
Balance at 1 April 2000	50,543	7,421	5,144
Net cash inflow from financing	–	803	–
Inception of a finance lease	–	1,396	–
Dividend paid to minority shareholders of a subsidiary	–	–	(405)
Share of profit for the year	–	–	998
Balance at 31 March 2001 and 1 April 2001	50,543	9,620	5,737
Net cash inflow from financing	–	7,809	–
Dividend paid to minority shareholders of a subsidiary	–	–	(203)
Share of profit for the year	–	–	645
Balance at 31 March 2002	**50,543**	**17,429**	**6,179**

(c) **Acquisition of a business**

	2002	2001
	HK$'000	*HK$'000*
Net assets acquired:		
Fixed assets	**606**	–
	606	–
Satisfied by:		
Cash consideration	**606**	–

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Cont'd)*

(c) **Acquisition of a business** *(Cont'd)*

Analysis of the net outflow of cash and cash equivalents in respect of the acquisition of the business is as follows:

	2002	2001
	HK$'000	*HK$'000*
Cash consideration	**606**	–

Since its acquisition, the business contributed approximately HK$17,082,000 to the Group's turnover and approximately HK$446,000 to the consolidated loss after tax for the year ended 31 March 2002.

For the year ended 31 March 2002, the acquired business contributed approximately HK$895,000 to the Group's net operating cash flows, paid approximately HK$405,000 in respect of the cash flows for investing activities, but had no significant impact in respect of the Group's cash flows for returns on investments and servicing of finance or financing activities or the payment of tax.

(d) **Major non-cash transaction**

During the year ended 31 March 2001, the Group entered into finance lease arrangements in respect of fixed assets with a total capital value at the inception of the leases of HK$1,396,000.

28. CONTINGENT LIABILITIES

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bills discounted with recourse	**517**	76	–	–
Guarantees provided for banking facilities and a finance lease utilised by certain subsidiaries	–	–	**30,251**	16,454
	517	76	**30,251**	16,454

29. OPERATING LEASE ARRANGEMENTS

(a) **As lessor**

The Group leases certain of its properties (note 12) under operating lease arrangements, with leases negotiated for terms ranging from two to three years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 March 2002, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Within one year	**969**	690
In the second to fifth years, inclusive	**1,150**	273
	2,119	963

(b) **As lessee**

The Group leases certain of its office properties and staff quarters under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years.

At 31 March 2002, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2002	2001
	HK$'000	*HK$'000*
		(Restated)
Within one year	**376**	1,367
In the second to fifth years, inclusive	**184**	140
	560	1,507

The Company did not have any operating lease arrangement at the balance sheet date (2001: Nil).

29. **OPERATING LEASE ARRANGEMENTS** *(Cont'd)*

SSAP 14 (Revised), which was adopted during the year, requires lessors under operating leases to disclose the total future minimum operating lease receivables under non-cancellable operating leases, as detailed in note (a) above. This disclosure was not previously required. SSAP 14 (Revised) also requires lessees under operating leases to disclose the total future minimum operating lease payments, rather than only the payments to be made during the next year as was previously required. Accordingly, the prior year comparative amounts for operating leases as lessee in note (b) above have been restated to accord with the current year's presentation.

30. **COMMITMENTS**

In addition to the operating lease commitments detailed in note 29 above, at the balance sheet date the Group had contracted for capital commitments of HK$4,318,000 (2001: HK$4,292,000) in respect of construction in progress in the PRC.

The Company had no significant commitments at the balance sheet date (2001: Nil).

31. **COMPARATIVE AMOUNTS**

As further explained in notes 2 and 29 to the financial statements, due to the adoption of SSAP 14 (Revised) during the current year, the presentation of operating lease commitments in the financial statements has been revised to comply with the new requirements. Accordingly, the related comparative amounts have been revised to conform with the current year's presentation.

32. **APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved and authorised for issue by the board of directors on 23 July 2002.

A summary of the published results, assets and liabilities, and minority interests of the Group for the last five financial years is set out below.

RESULTS

	Year ended 31 March				
	2002	2001	2000	1999	1998
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER	**272,556**	284,222	275,001	259,339	275,778
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	**(3,591)**	5,092	7,680	(12,677)	18,546
Share of profits less losses of:					
Associates	**–**	–	–	86	(378)
Jointly-controlled entities	**(485)**	140	108	(452)	(1,400)
PROFIT/(LOSS) BEFORE TAX	**(4,076)**	5,232	7,788	(13,043)	16,768
Tax	**1,915**	96	(2,378)	(2,888)	4,962
PROFIT/(LOSS) BEFORE MINORITY INTERESTS	**(2,161)**	5,328	5,410	(15,931)	21,730
Minority interests	**(645)**	(998)	(1,197)	1,056	(240)
NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS	**(2,806)**	4,330	4,213	(14,875)	21,490

ASSETS AND LIABILITIES AND MINORITY INTERESTS

	31 March				
	2002	2001	2000	1999	1998
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
FIXED ASSETS	**112,717**	102,159	109,432	108,960	141,950
INTERESTS IN ASSOCIATES	**–**	–	–	196	6,958
INTERESTS IN JOINTLY–CONTROLLED ENTITIES	**527**	(80)	2,370	1,446	6,106
PATENTS AND TRADEMARKS	**162**	253	409	774	1,022
CURRENT ASSETS	**148,444**	151,034	132,780	134,169	125,154
TOTAL ASSETS	**261,850**	253,366	244,991	245,545	281,190
CURRENT LIABILITIES	**47,244**	42,949	39,970	71,375	84,764
LONG TERM LIABILITIES	**9,163**	749	598	2,327	8,956
DEFERRED TAX	**–**	1,771	1,771	1,771	1,695
TOTAL LIABILITIES	**56,407**	45,469	42,339	75,473	95,415
MINORITY INTERESTS	**6,179**	5,737	5,144	8,545	11,318
	199,264	202,160	197,508	161,527	174,457
SHARE CAPITAL AND RESERVES	**199,264**	202,160	197,508	161,527	174,457