ARTFIELD GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1229)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2004

The board of directors (the "Board") of Artfield Group Limited (the "Company") would like to announce the audited consolidated results of the Company and its subsidiaries (together the "Group") for the year ended 31 March 2004 as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	**2004** *HK$'000*	2003 *HK$'000* (Restated)
TURNOVER	*2*	**229,925**	268,853
Cost of goods sold and services provided		**(180,553)**	(208,520)
Gross profit		**49,372**	60,333
Other revenue		**1,829**	1,050
Selling and distribution costs		**(12,136)**	(11,359)
Administrative expenses		**(48,722)**	(43,217)
Other operating expenses		**(3,064)**	(1,895)
(LOSS)/PROFIT FROM OPERATIONS	*3*	**(12,721)**	4,912
Finance costs	*4*	**(3,527)**	(2,341)
Share of loss of a jointly controlled entity		**–**	(48)
(LOSS)/PROFIT BEFORE TAXATION		**(16,248)**	2,523
Taxation	*5*	**182**	(364)
(LOSS)/PROFIT BEFORE MINORITY INTERESTS		**(16,066)**	2,159
Minority interests		**(472)**	(582)
NET (LOSS)/PROFIT FOR THE YEAR		**(16,538)**	1,577
(LOSS)/EARNINGS PER SHARE	*6*		
Basic		**HK(6.87) cents**	HK0.65 cent
Diluted		**N/A**	HK0.64 cent

Notes:

1. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group adopted, for the first time, the following Hong Kong Financial Reporting Standards ("HKFRS(s)") issued by the Hong Kong Society of Accountants ("HKSA"), the term of HKFRS is inclusive of Statements of Standard Accounting Practice ("SSAP(s)") and Interpretations approved by the HKSA.

Income Taxes

In the current year, the Group has adopted SSAP 12 (Revised) "Income Taxes". The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, under which a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for 2003 have been restated accordingly. The change has resulted in a decrease in the net loss for the year of HK$798,000 and a decrease in the net profit for the year ended 31 March 2003 of HK$145,000.

2. TURNOVER AND SEGMENT INFORMATION

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

An analysis of the Group's turnover and result information by business and geographical segments for the year ended 31 March 2004 is as follows:

(a) Business segments

	Clocks and other office related products		**Lighting products**		**Trading**		**Electroplating services**		**Consolidated**	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000* (Restated)
Segment revenue:										
Sales to external customers	**145,208**	150,792	**15,199**	9,903	**56,210**	94,963	**13,308**	13,195	**229,925**	268,853
Segment results	**(5,763)**	8,467	**82**	978	**(302)**	2,781	**2,390**	1,917	**(3,593)**	14,143
Interest income									**27**	41
Net unallocated expenses									**(9,155)**	(9,272)
(Loss)/profit from operations									**(12,721)**	4,912
Finance costs									**(3,527)**	(2,341)
Share of loss of a jointly controlled entity									**–**	(48)
(Loss)/profit before taxation									**(16,248)**	2,523
Taxation									**182**	(364)
(Loss)/profit before minority interests									**(16,066)**	2,159
Minority interests									**(472)**	(582)
Net (loss)/profit for the year									**(16,538)**	1,577

(b) *Geographical segments*

	North America 2004 *HK$'000*	North America 2003 *HK$'000*	Europe 2004 *HK$'000*	Europe 2003 *HK$'000*	Hong Kong 2004 *HK$'000*	Hong Kong 2003 *HK$'000*	The People's Republic of China ("PRC") 2004 *HK$'000*	The People's Republic of China ("PRC") 2003 *HK$'000*	Others 2004 *HK$'000*	Others 2003 *HK$'000*	Consolidated 2004 *HK$'000*	Consolidated 2003 *HK$'000*
Segment revenue:												
Sales to external customers	**78,034**	85,252	**66,801**	58,334	**20,276**	20,366	**59,056**	99,106	**5,758**	5,795	**229,925**	268,853

3. (LOSS)/PROFIT FROM OPERATIONS

The Group's (loss)/profit from operations has been arrived at after charging/(crediting):

	2004 *HK$'000*	2003 *HK$'000*
Cost of inventories sold	**171,116**	200,605
Cost of services provided	**7,655**	7,578
Staff costs (excluding directors' remuneration)		
Basic salaries and allowances	**43,869**	41,264
Retirement benefits scheme contributions	**655**	567
	44,524	41,831
Depreciation	**10,873**	10,314
Amortisation of intangible assets (included in administrative expenses)	**46**	105
Amortisation of goodwill (included in other operating expenses)	**996**	581
Auditors' remuneration	**400**	500
Research and development expenditure	**1,235**	1,667
Minimum lease payments under operating leases for land and buildings	**2,196**	1,433
Provision for bad and doubtful debts	**8**	615
(Surplus)/deficit on revaluation of investment properties	**(300)**	300
Loss on disposal of property, plant and equipment	**76**	55
Impairment loss on property, plant and equipment	**1,500**	–
Impairment loss on goodwill	**416**	–
Provision for inventories	**1,782**	337
Loss on disposal of a jointly controlled entity	**–**	399
Unrealised holding loss on other investments	**126**	–
Exchange gains, net	**(621)**	(150)
Gross rental income	**(926)**	(893)
Less: Outgoings	**109**	83
Net rental income	**(817)**	(810)
Interest income	**(27)**	(41)

4. FINANCE COSTS

	2004 *HK$'000*	2003 *HK$'000*
Interest on:		
Bank loans and overdrafts	**3,393**	2,241
Other loans wholly repayable within five years	**50**	13
Finance leases	**84**	87
	3,527	2,341

5. **TAXATION**

	2004	2003
	HK$'000	*HK$'000*
Hong Kong Profits Tax		
– current year	**545**	385
– overprovision in prior years	**(250)**	(120)
Tax in other jurisdictions		
– current year	**321**	84
– underprovision in prior years	**–**	66
– rebate relating to prior years	**–**	(196)
	616	219
Deferred taxation	**(798)**	145
	(182)	364

Hong Kong Profits Tax is calculated at 17.5% (2003: 16%) of the estimated assessable profits arising in Hong Kong for the year.

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

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

6. **(LOSS)/EARNINGS PER SHARE**

The calculation of basic (loss)/earnings per share is based on the net loss for the year of HK$16,538,000 (2003 (restated): net profit of HK$1,577,000), and the weighted average number of 240,619,686 (2003: 242,264,656) ordinary shares in issue during the year.

No diluted loss per share for the year has been presented as the warrants and share options outstanding during the year had an anti-dilutive effect on the basic loss per share for the year.

The calculation of diluted earnings per share for the year ended 31 March 2003 was based on the restated net profit for that year of HK$1,577,000. The weighted average number of ordinary shares used in the calculation is the 242,264,656 ordinary shares in issue during that year, as used in the basic earnings per share calculation; and the weighted average number of 4,940,776 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options outstanding during that year. The exercise price of the warrants outstanding during that year was higher than the average market price of the Company's share and, accordingly, they had no dilutive effect on the basic earnings per share.

DIVIDENDS

The Board does not recommend the payment of any dividend for the year ended 31 March 2004 (2003: Nil).

FINANCIAL REVIEW

During the year under review, the Group recorded a turnover of approximately HK$229,925,000 (2003: HK$268,853,000), representing a decrease of about 14.5% as compared with last year. Influenced by the outbreak of severe acute respiratory syndrome ("SARS") epidemic and the Iraq war, the performance of the Group was unavoidably impaired. It recorded the net loss for the year amounted to HK$16,538,000 (2003 (restated): net profit of HK$1,577,000).

BUSINESS REVIEW

Clocks and Other Office Related Products

Facing the challenging external environment, in addition to the increasing domestic manufacturers in the PRC trying to compete with other rivals in the clock industry, the market competition becomes more severe. In view of this fact, the Group imposed a number of measures such as diversifying product portfolio, further strengthening cost control and reducing the inventory level so as to counteract and minimize the adverse impacts on the core business. During the year, the turnover of clocks and other office related products amounted to approximately HK$145,208,000 (2003: HK$150,792,000).

The Group is committed to strengthening our product research and development over the past decade. During the year, the Group was granted two awards, namely "Innovative Design Award" and "Vendor Recognition Award" by Things Remembered, Inc., one of our largest and best-known personalized gift chain customers in the United States ("US"). This achievement not only awards the diligence and hard work of our experienced in-house product designers and marketing team, but also consolidates our position as a leading player in the clock industry.

Backed by solid fundamentals and extensive market networks, our market presence covers globally. The US and Europe remained our two major export markets. During the year, sales to the US market dropped by about 8.5% which was attributed to the outbreak of the Iraq-US war. While the Group recorded relatively stronger growth in Europe especially the United Kingdom ("UK") market, where sales increased by about 14.5%. This satisfactory result was mainly derived from the Group's continuing efforts on product development and market penetration by leveraging with our distribution networks in overseas offices.

Lighting Products

The Group's lighting product segment has attained a remarkable achievement during the year under review. The turnover of the lighting product segment recorded approximately HK$15,199,000 (2003: HK$9,903,000), with a growth of about 53.5%.

Leveraging with the Group's market diversification strategy, the Group has sought and appointed sales and distribution agents with high growth potentiality in Europe market in recent years. Meanwhile, overseas sales offices play an important role to liaise with sales agents to promote and distribute our lighting products in Europe market.

In order to satisfy the increasing annual production capacity, the Group has commenced to construct new factory premises in Gao Ming, Foshan City, the PRC, adjacent to the existing production facilities of the Group. The premise is expected to be completed in the third quarter of 2004. The planned annual production capacity of the new facilities will be approximately 6,000,000 units of finished lighting products. Expanding the existing production scale will enhance the long-term vertical integration strategy adopted by the Group.

Trading

The trading business of the Group suffered from the adverse effects brought about by the SARS in the Asian region and China Macro-control. Due to the fact that the customers became very cautious and delayed placing orders, which led to a decrease of approximately 40.8% in turnover.

Following the steady recovery of Asian economy coupled with the strong economic growth of the PRC market, the Management believes that these favorable factors will offer splendid business opportunities and increase demands of metal trading business in the coming future.

Electroplating Services

Facing the stiff market condition, the turnover of electroplating services recorded approximately HK$13,308,000 (2003: HK$13,195,000). In order to increase the market presence, the Management will continue to improve the overall efficiency and allocate resources in upgrading the electroplating techniques and machineries so as to increase its capacity to obtain more orders from reputable customers.

PROSPECTS

Although faced with the tough time of economic slowdown and unforeseeable epidemic in the past year, the Management insists the persistent belief of encountering adversity that opportunity will be sprang from crisis. In order to grasp the emerging opportunities, the Group will continue to adjust its business model, undertake cost control measures and re-evaluate operation structure with the ultimate goal of delivering excellent value to our customers and shareholders.

The Group actively explores possible ways which can boost our sales and improve our profitability by the following aspects:

Product Enrichment and Market Expansion

By receiving the industry recognition for our product development contributions during the year, the Management continues to emphasize on product development and also market expansion.

Since the customers nowadays are no longer merely satisfied with the conventional timer function of clocks, instead the functionalities are required to be more sophisticated which can be customized to both household and office purposes. In order to differentiate us from the market, the Group plans to exploit new products in order to cater for different market demands. Therefore the Group enhances the functionality of the existing clock products by combining timer and decoration functions. Furthermore the Group endeavors to develop the clock giftware and accessory products such as office and household accessories items and office stationery sets. The Group also broadens the existing wooden products such as wooden music boxes, photo frames, wooden medals and wooden jewellery boxes. The Management believes that enriching our product offering will expand the customer base and diversify our product portfolio of the Group in the near future.

Apart from enriching product mix, leveraging with 20 years of fruitful experience and strong foundations in the clock manufacturing, the Group has gained the corporate reputation within the industry. The Management believes that our extensive networks in our overseas offices in the US, the UK, Germany and the PRC will facilitate to expand our customer base worldwide actively and capture enormous business from the booming China market and recovering overseas markets. The Group also gains the advantages of sharing valuable information on rapid market movement and enhances the distribution and processing networks in promoting our OEM and branded products such as "Wehrle", "Klik", "Artex" and "Memolux" in different geographical regions.

Upgrading of Manufacturing Operation Effectiveness and Strengthening ISO Management

With solid foundations established in the past and proven track records in the clock and lighting industries, the Group will preserve in enhancing our vertical integrated management to maximize the economies of scale.

For long-term development of wood-related products and lighting products, the Group has started the project to expand its production capacity by setting up new factory premises and facilities in the past couple of years. Construction of new factory premises in Gao Ming, Foshan City, the PRC adjacent to the existing production facilities of the Group was commenced and be completed in this year. New factory premises, which are mainly divided to manufacture wood products and lighting products, will have a total gross floor area of approximately 12,600 square meters. The production facilities for manufacturing wood product have commenced full operations in March of this year. While it is expected that the new production facilities for lighting products will commence full operations in the third quarter of this year. The total construction costs invested in the new production facilities is estimated at approximately HK$7,000,000.

In the view that the labor costs in the Pearl River Delta increase gradually in recent years, the Management plans to deploy more resources in investing more equipment and machineries and enhance the production automation in order to minimize the reliance on the existing labor intensive manufacturing process. The Group continues to concentrate on upgrading production technologies and strengthening the ISO management in order to enhance the operation efficiency, to reduce the manufacturing costs and to increase the competitiveness in term of price and quality.

Strategic Business Diversification-Development of Pharmaceutical Business in the PRC

The Management makes every endeavor to seek any opportunity to expand the scope of the existing businesses through merger and acquisition of other businesses or projects with high profitability returns.

As the Group expects high growth in the future development of the pharmaceutical industry in the PRC, the Group successfully acquired 49% equity interest in Success Start Holdings Limited ("Success Start") on 31 March 2004.

The principal activities of two major subsidiaries of Success Start, namely 福建省安溪制藥有限公司 (Anxi Medicine-Make Co., Ltd Fujian) ("Anxi Medicine") and 北京璽圃環球生物醫業技術有限公司 (Beijing Xipu Biotechnology Ltd) ("Beijing Xipu"), are engaged in production, research and development and sales of bio-technological medical products respectively.

In order to ensure the medical product quality and ultimately protect consumers' interests, Anxi Medicine was the first enterprise accredited with the GMP certificate for its large volume parenteral solution in Fujian province in September 2000 by complying with recognized GMP standard. The principal medical products include transfusion, bolus, bracteole, capsule, dry powder, ampoule and 頭孢米諾 ("Tou Bao Mi Nuo") raw material medicine and finished products packaging. All existing production facilities are currently located in the Anxi County of Fujian province and occupy a land area of about 20,000 square meters. In order to cope with the increasing future demand, the Management of Anxi Medicine has commenced to expand the current production facilities by constructing a new factory occupying a land area of 70,000 square meters and a floor area of about 48,000 square meters and investing in five additional production lines.

Beijing Xipu is mainly engaged in research and development, production and sales of bio-technological medical products. One of the major products of Beijing Xipu is「璽圃牌利唐康膠囊胰島營養素」("Xi Pu Gluco Guard Yi Dao Ying Yan Su"), which has been developed for customers with diabetes. Many diabetic users after taking our products stop the usage of chemical pharmaceuticals (or stop the injection of insulin).「璽圃胰島營養素」("Xi Pu Yi Dao Ying Yan Su") was launched to the market in December 2002. During the year, the sale of this product was about HK$8,000,000. In the coming year,「璽圃牌利唐康膠囊胰島營養素」(“Xi Pu Gluco Guard Yi Dao Ying Yan Su”) will be launched to Hong Kong market to facilitate estimated 700,000 users to recover their health. Meanwhile, it is expected to launch the said product to the markets in Europe and the US. The Management also expects to launch a new bio-technological medical product which aims to enhance the immune system and prevent tumor spreading of the users. In the meantime, the Management is eager to obtain the medicine manufacturing approval from the respective authority in the PRC this year.

For expanding of the PRC market, the Management continues to expand its distribution network by appointing potential distributors covering among 10 major cities and provinces such as Beijing, Shanghai, Tianjin, Hebei, Jiangsu, Guangdong and Fujian etc.

With the economic development and change in perception towards pharmaceutical products consumption, the purchasing power of the developing countries with large population will increase in a more rapid pace. In the last two decades, the PRC has maintained its high economic growth, uplifting people’s living standard as well as their health consciousness; it will present a trend of strong and rapid growth of the pharmaceutical product market of the PRC.

Therefore the Management believes that the acquisition of a strategic equity interest in Success Start represents an excellent opportunity for the Group to diversify the existing business into medical development and manufacturing business in the PRC.

In overall, the corporate objectives of the Group are maximizing profitability and delivering enhanced value to shareholders and services to customers in the long run.

EMPLOYEES

As at 31 March 2004, the Group had a total of 2,598 (2003: 2,277) employees spreading among Hong Kong, the PRC, the US, the UK and Germany. Industrial relationship has been well maintained.

The Group had 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 option to acquire shares of the Company.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2004, the Group had total outstanding debts and finance lease obligations of HK$63,231,000 (2003: HK$53,889,000), of which HK$54,612,000 (2003: HK$42,118,000) was secured bank loans, HK$6,374,000 (2003: HK$9,058,000) was secured overdrafts, HK$732,000 (2003: HK$832,000) was unsecured other loans and HK$1,513,000 (2003: HK$1,881,000) was obligations under finance leases. The amount repayable within one year accounted for 68.8% (2003: 68.7%) of the total borrowings as at 31 March 2004. The maturity profile of the Group’s total borrowings as at 31 March 2004 is analysed as follows:

	2004	2003
Within one year	**68.8%**	68.7%
In the second year	**12.1%**	11.3%
In the third to fifth years, inclusive	**10.3%**	8.5%
Beyond five years	**8.8%**	11.5%
Total	**100.0%**	100.0%

Our gearing ratio was at a healthy level of 10.9% (2003: 8.6%). The computation is based on long-term borrowings of the Group divided by shareholder’s fund as at 31 March 2004.

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

CHARGES ON GROUP’S ASSETS

The Group’s investment properties with a value of HK$8,000,000 (2003: HK$7,700,000), other investments of HK$2,414,000 (2003: bank deposits of HK$2,907,000) 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 internal generated resources and banking and credit facilities provided by banks in Hong Kong, the PRC and the UK. All borrowings are denominated in Hong Kong dollars, the US dollars, RMB and British pounds. Borrowing methods used by the Group mainly include trust receipt loans, overdrafts facilities, invoice financing 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 2004, the Group did not have contingent liabilities (2003: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year, the Company repurchased its ordinary shares of HK$0.10 each on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the summary details of which are as follows:

Month of repurchase	Number of shares repurchased	Price per share Highest	Price per share Lowest	Total price paid
		HK$	*HK$*	*HK$*
May 2003	506,000	0.57	0.56	289,000

The repurchased shares were cancelled during the year and the issued share capital of the Company was reduced by the par value thereof. The premium paid on the repurchase of the shares of HK$238,000 has been debited to the share premium account of the Company.

The repurchase of the Company's shares during the year was effected by the directors, pursuant to the mandate from shareholders, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

Save as disclosed above, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year and up to the date of this report, except that independent non-executive directors are not appointed for specific terms as recommended by the Code.

AUDIT COMMITTEE

The Company has set up an Audit Committee (the "Committee"). 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.

PUBLICATION OF RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

The Company's annual report containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

By order of the Board
LIANG Jin You
Chairman

Hong Kong, 26 July 2004

As at the date of this announcement, the executive directors of the Company are Mr. LIANG Jin You, Ms. LI Kwo Yuk, Mr. LEUNG Kin Yau, Mr. OU Jian Sheng, Mr. DENG Ju Neng and Mr. LIN Dong Hong. The non-executive director is Mr. LO Wah Wai and the independent non-executive directors are Mr. LO Ming Chi, Charles and Mr. CHEUNG Doi Shu.

"Please also refer to the published version of this announcement in The Standard".