THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

Marigold Worldwide Group Limited

(Incorporated in the British Virgin Islands with limited liability)

ARTFIELD GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1229)

Composite offer and response document relating to mandatory conditional cash offer by

KINGSTON SECURITIES LIMITED

on behalf of
Marigold Worldwide Group Limited
for all the issued Shares in Artfield Group Limited
(other than those Shares already owned by
Marigold Worldwide Group Limited, Mr. Yam Tak Cheung and
parties acting in concert with any one of them)

Financial adviser to Marigold Worldwide Group Limited

KINGSTON CORPORATE FINANCE LIMITED

Independent financial adviser to the Independent Board Committee of Artfield Group Limited

VXL FINANCIAL SERVICES LIMITED
卓越企业融资有限公司

A letter from the board of directors of Artfield Group Limited is set out from pages 4 to 9 of this document.

A letter from Kingston Securities Limited containing, among other things, the details of the terms of the Offer is set out from pages 10 to 16 of this document.

A letter from the Independent Board Committee to the Independent Shareholders is set out on page 17 of this document.

A letter of advice from VXLFS containing its opinion and advice to the Independent Board Committee in connection with the Offer is set out from pages 18 to 30 of this document.

The procedures for acceptance and settlement of the Offer are set out from pages 31 to 36 of, and in Appendix I to this document and in the accompanying Form of Acceptance. Acceptances of the Offer should be received by Union Registrars Limited, at Room 1803, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong no later than 4:00 p.m. on Wednesday, 4 July 2007 or such later time and/or date as Marigold Worldwide Group Limited may determine and announce in accordance with the Takeovers Code.

This composite offer and response document will be available for inspection on the website of Artfield Group Limited at http://www.artfield.com.hk and on the website of the Stock Exchange at www.hkex.com.hk as long as the Offer remains open.

13 June 2007

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EXPECTED TIMETABLE

	2007
Opening date of the Offer	Wednesday, 13 June
Latest time and date for acceptance of the Offer *(Note 1)*	4:00 p.m. on Wednesday, 4 July
Posting of announcement on the Stock Exchange's website as to whether the Offer has been revised or extended, has expired, or has become or been declared unconditional	7:00 p.m. on Wednesday, 4 July
Closing date of the Offer *(Note 2)*	Wednesday, 4 July
Latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances received on or before 4:00 p.m. on 4 July 2007, if the Offer has been declared unconditional on 4 July 2007 *(Note 3)*	Friday, 13 July
Latest time and date for acceptance of the Offer if the Offer has been declared unconditional on 4 July 2007	4:00 p.m. on Wednesday, 18 July
Final closing date of the Offer if the Offer has been declared unconditional on 4 July 2007	Wednesday, 18 July
Latest date by which the Offer can be declared unconditional *(Note 4)*	Monday, 13 August

Notes:

1. The Offer will be subject to Marigold having received acceptances in respect of Shares, which together with Shares already held by Marigold, Mr. Yam and parties acting in concert with any one of them before or during the offer period of the Offer, will result in Marigold, Mr. Yam and parties acting in concert with any one of them holding more than 50% of the voting rights of the Company. Unless the Offer has previously become or been declared unconditional or revised, the latest time for acceptance of the Offer is 4:00 p.m. on Wednesday, 4 July 2007. Pursuant to the Takeovers Code, where the Offer is declared unconditional, the Offer will remain open for acceptance for not less than 14 days thereafter. Marigold will make an announcement as and when the Offer becomes unconditional.

2. Marigold reserves the right to revise or extend the Offer until such time and/or date as it may determine and in accordance with the Takeovers Code. Marigold will issue an announcement to be posted on the Stock Exchange's website by 7:00 p.m. on Wednesday, 4 July 2007, being the closing date of the Offer, as to whether the Offer has been revised or extended, has expired, or has become or been declared unconditional as to acceptances. Such announcement will be published in the newspapers on the next business day thereafter.

3. Subject to the Offer becoming unconditional, the amounts due to each of the Shareholders who accepts the Offer should be paid by Marigold to such Shareholders as soon as possible but in any event within 10 days of the later of the date on which the Offer becomes, or is declared, unconditional and the date of receipt of the duly completed acceptance in accordance with the Takeovers Code.

4. In accordance with the Takeovers Code, except with the consent of the Executive, the Offer may not become or be declared unconditional as to acceptances after 7:00 p.m. on the 60th day after the date on which this Composite Offer Document has been posted. Accordingly, unless the Offer has previously become or been declared unconditional as to acceptances, the Offer shall not be kept open after Monday, 13 August 2007.

All time references contained in this Composite Offer Document refer to Hong Kong time.

In this document, unless the context otherwise requires, the following expressions have the following meanings:

"Announcement"	the announcement dated 9 May 2007 jointly made by the Company and Marigold containing, amongst other things, details of the Offer
"associates"	has the meaning ascribed thereto in the Listing Rules
"Board"	board of Directors
"CCASS"	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
"Company"	Artfield Group Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Stock Exchange (Stock Code: 1229)
"Composite Offer Document"	this document jointly issued by and on behalf of Marigold and the Company to all Shareholders in accordance with the Takeovers Code containing, among others, terms and conditions of the Offer, the Forms of Acceptance in respect of the Offer, the advice of VXLFS to the Independent Board Committee in respect of the Offer, and the advice of the Independent Board Committee to the Independent Shareholders in relation to the Offer
"Director(s)"	the director(s) of the Company
"Executive"	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of his delegates
"Form(s) of Acceptance"	the accompanying form(s) of acceptance and transfer in respect of the Offer
"Golden Glory" or "Vendor"	Golden Glory Group Limited, a company incorporated in the British Virgin Islands with limited liability
"Group"	the Company and its subsidiaries
"HKSCC"	Hong Kong Securities Clearing Company Limited

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee of the Company, comprising Mr. Lo Ming Chi, Charles, Mr. Lo Wah Wai and Mr. Orr, Joseph Wai Shing established for the purpose of advising the Independent Shareholders in relation to the Offer
"Independent Shareholders"	shareholders other than Marigold, Mr. Yam and parties acting in concert with any one of them as defined in the Takeovers Code
"Kingston Corporate Finance"	Kingston Corporate Finance Limited, a licensed corporation permitted to carry out type 6 regulated activity (advising on corporate finance) under SFO
"Kingston Securities"	Kingston Securities Limited, a licensed corporation to carry on business in type 1 regulated activity (dealing in securities) under SFO
"Last Trading Day"	the trading day immediately prior to the suspension of trading in the Shares on 23 April 2007
"Latest Practicable Date"	8 June 2007, being the latest practicable date prior to the printing of this Composite Offer Document for the purpose of ascertaining certain information for inclusion in this Composite Offer Document
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Marigold" or "Offeror"	Marigold Worldwide Group Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly and beneficially owned by Mr. Yam
"Mr. Liang" or "Warrantor"	Liang Jin You, the ultimate beneficial owner of Golden Glory
"Mr. Yam"	Yam Tak Cheung, the beneficial owner of the entire issued share capital of Marigold
"Offer"	the mandatory conditional cash offer to be made by Kingston Securities, on behalf of Marigold, to acquire all the issued Shares (other than those Shares already owned by Marigold, Mr. Yam and parties acting in concert with any one of them)
"Offer Share(s)"	issued Share(s) other than those already owned by Marigold, Mr. Yam and parties acting in concert with any one of them

"Overseas Shareholders"	Shareholders whose addresses on the register of members of the Company are outside Hong Kong
"party(ies) acting in concert"	has the meaning ascribed thereto in the Takeovers Code
"Registrar"	Union Registrars Limited, the Hong Kong branch share registrar and transfer office of the Company located at Room 1803, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong
"Sale and Purchase Agreement"	the agreement dated 2 May 2007 entered into between, Golden Glory, Mr. Liang and Marigold in relation to the purchase of 119,184,300 Shares, representing approximately 39.14% of the entire issued share capital of the Company as at the Latest Practicable Date, from Golden Glory by Marigold for a total consideration of HK$65,200,000
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"Share(s)"	share(s) of HK$0.10 each in the share capital of the Company
"Share Purchase"	the purchase of 119,184,300 Shares from Golden Glory by Marigold in accordance with the terms and conditions of the Sale and Purchase Agreement
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"VXLFS"	VXL Financial Services Limited, a corporation licensed under the SFO to carry on type 6 regulated activity (advising on corporate finance) and the independent financial adviser to the Independent Board Committee in respect of the Offer
"HK$" and "cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"%"	per cent.

ARTFIELD GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1229)

Executive Directors:
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
Mr. CHEN Vee Yong, Frederick
Mr. LEE Sang Yoon

Independent non-executive Directors:
Mr. LO Ming Chi, Charles
Mr. LO Wah Wai
Mr. ORR, Joseph Wai Shing

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

Head office and principal place of business in Hong Kong:
13th Floor,
Universal Industrial Centre
19-21 Shan Mei Street
Fo Tan, Shatin
New Territories
Hong Kong

13 June 2007

To the Shareholders

Dear Sir or Madam,

Mandatory conditional cash offer by Kingston Securities Limited on behalf of Marigold Worldwide Group Limited for all the issued Shares in Artfield Group Limited (other than those Shares already owned by Marigold Worldwide Group Limited, Mr. Yam Tak Cheung and parties acting in concert with any one of them)

INTRODUCTION

On 2 May 2007, Marigold, Golden Glory and Mr. Liang, being the 100% beneficial owner of Golden Glory, entered into the Sale and Purchase Agreement pursuant to which Marigold agreed to purchase and Golden Glory agreed to sell 119,184,300 Shares, representing approximately 39.14% of the entire issued share capital of the Company at the Latest Practicable Date, for a total consideration of HK$65,200,000 (equivalent to approximately HK$0.5471 per Share). The Sale and Purchase Agreement was completed on 2 May 2007.

Immediately before the signing of the Sale and Purchase Agreement, Marigold, Mr. Yam, being the beneficial owner of the entire issued share capital of Marigold, and parties acting in concert with any one of them did not have any shareholding interests in the Company. Following completion of the Share Purchase, Marigold, Mr. Yam and parties acting in concert with any one of them own an aggregate of 119,184,300 Shares, representing approximately 39.14% of entire issued share capital of the Company as at the Latest Practicable Date. Marigold, Mr. Yam and parties acting in concert with any one of them are therefore required to make a mandatory conditional cash offer for all the issued Shares (other than those Shares already owned by Marigold, Mr. Yam and parties acting in concert with any one of them) pursuant to Rule 26.1 of the Takeovers Code.

The terms of the Offer are set out under the section headed "Mandatory Conditional Cash Offer" below.

The Independent Board Committee comprising three independent non-executive Directors, Mr. Lo Ming Chi, Charles, Mr. Lo Wah Wai and Mr. Orr, Joseph Wai Shing, has been established to consider the terms of the Offer taking into account the advice from VXLFS, and to advise the Independent Shareholders in respect of the Offer. VXLFS has been appointed as independent financial adviser to advise the Independent Board Committee regarding the terms of the Offer and such appointment has been approved by the Independent Board Committee.

The purpose of this Composite Offer Document is to provide you with, amongst other things, (i) the information relating to the Group, Marigold and the Offer; (ii) the letter from the Independent Board Committee containing its recommendation and advice to the Independent Shareholders in respect of the Offer; and (iii) the letter from VXLFS containing their advice to the Independent Board Committee in respect of the Offer.

MANDATORY CONDITIONAL CASH OFFER

Immediately before the signing of the Sale and Purchase Agreement, Marigold, Mr. Yam and parties acting in concert with any one of them did not have any shareholding interests in the Company. Following completion of the Share Purchase, Marigold, Mr. Yam and parties acting in concert with any one of them own an aggregate of 119,184,300 Shares, representing approximately 39.14% of the entire issued share capital of the Company as at the Latest Practicable Date. Marigold, Mr. Yam and parties acting in concert with any one of them are therefore required to make a mandatory conditional cash offer for all the issued Shares (other than those Shares already owned by Marigold, Mr. Yam and parties acting in concert with any one of them) pursuant to Rule 26.1 of the Takeovers Code.

As at the Latest Practicable Date, there are 304,478,584 Shares in issue. Taking into account the 119,184,300 Shares held by Marigold, Mr. Yam and parties acting in concert with any one of them, 185,294,284 Offer Shares will be subject to the Offer.

As at the Latest Practicable Date, there are no outstanding warrants or share options or derivatives or securities convertible into the Shares.

As at the Latest Practicable Date, (i) save for the Sale and Purchase Agreement, there are no arrangements (whether by way of option, indemnity or otherwise) in relation to shares of Marigold or the Company which might be material to the Offer; (ii) there are no agreements or arrangements to which Marigold is a party which relate to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer; and (iii) there are no irrevocable commitment to accept the Offer has been received by Marigold, Mr. Yam and parties acting in concert with any one of them.

The Offer will be made on the terms set out below.

Principal terms of the Offer

Kingston Securities will, on behalf of Marigold, make the Offer in compliance with the Takeovers Code on the following basis:

for each Offer Share .... HK$0.55 in cash

Condition of the Offer

The Offer is conditional upon Marigold having received acceptances of the Offer which, together with the Shares already owned by Marigold, Mr. Yam and parties acting in concert with any one of them before or during the offer period, will result in Marigold, Mr. Yam and parties acting in concert with any one of them holding more than 50% voting rights of the Company.

Marigold does not intend to extend the period of the Offer if the above acceptance condition is not fulfilled by the first closing date of the Offer, which is expected to be on 4 July 2007.

Comparison of value

The price of HK$0.55 for each Offer Share is slightly higher than the consideration for each Share acquired under the Sale and Purchase Agreement and such price represents:

(a) a discount of approximately 62.59% to the closing price of HK$1.47 per Share as quoted on the Stock Exchange on the Last Trading Day;

(b) a discount of approximately 62.64% to the average closing price of approximately HK$1.472 per Share for the 5 trading days up to and including the Last Trading Day;

(c) a discount of approximately 63.46% to the average closing price of approximately HK$1.505 per Share for the 10 trading days up to and including the Last Trading Day;

(d) a discount of approximately 2.65% to the unaudited consolidated net asset value per Share of approximately HK$0.565 as at 30 September 2006 based on the interim report 2006; and

(e) a discount of approximately 60.71% to the closing price of HK$1.40 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Financial resources

As at the Latest Practicable Date, there are 304,478,584 Shares in issue. Based on the offer price of HK$0.55 per Offer Share, the entire issued share capital of the Company is valued at approximately HK$167.46 million and all the 185,294,284 Offer Shares under the Offer are valued at approximately HK$101.91 million.

INFORMATION ON THE COMPANY

The Company is an investment holding company and its Shares are listed on the Stock Exchange. The Group is principally engaged in the marketing and trading of clocks, timepieces, gift and premium products, the trading of metals and the operation of computer on-line game "Shanghai Storm".

The following table sets out the financial information of the Group:

	For the year ended 31 March 2006 (audited) *HK$'000*	**For the six months ended 30 September 2006 (unaudited)** *HK$'000*
Net loss before tax	70,595	11,486
Net loss after tax	72,111	11,487

	As at 31 March 2006 (audited) *HK$'000*	**As at 30 September 2006 (unaudited)** *HK$'000*
Net asset value	132,839	172,050

The following table sets out the shareholding structure of the Company immediately before and after the completion of the Share Purchase but before the Offer:

	Immediately before completion of the Share Purchase		Immediately after completion of the Share Purchase but before the Offer	
	No. of Shares	*% (approx.)*	*No. of Shares*	*% (approx.)*
Marigold, Mr. Yam and parties acting in concert with any one of them *(Note 1)*	0	0	119,184,300	39.14
Golden Glory *(Note 2)*	119,184,300	39.14	0	0
Public	185,294,284	60.86	185,294,284	60.86
Total	**304,478,584**	**100.00**	**304,478,584**	**100.00**

Notes:

1. Marigold is 100% beneficially owned by Mr. Yam.

2. Golden Glory is wholly and beneficially owed by General Line International Holdings Limited which in turn is wholly and beneficially owned by Mr. Liang.

INFORMATION ON MARIGOLD

Your attention is drawn to the letter from Kingston Securities set out in this Composite Offer Document for information on Marigold.

MAINTAINING THE LISTING STATUS OF THE COMPANY

Marigold intends that the Company will remain listed on the Stock Exchange after the close of the Offer. The Company, Directors, Marigold and the new director to be appointed to the Board have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

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

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

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

it will consider exercising its discretion to suspend trading in the Shares.

WARNING

The Offer are conditional upon Marigold having received valid acceptances of the Offer which, together with the Shares already owned by Marigold, Mr. Yam and parties acting in concert with any one of them before or during the offer period of the Offer, will result in Marigold, Mr. Yam and parties acting in concert with any one of them holding Shares representing more than 50% of the voting rights of the Company. The Offer will be closed at 4:00 p.m. on 4 July 2007 unless Marigold revises or extends the Offer in accordance with Takeovers Code. However, if the Offer has not become or been declared unconditional, the Offer will lapse forthwith.

GENERAL

Your attention is drawn to the statutory and general information set out in Appendix III to this Composite Offer Document.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 17 of this Composite Offer Document. Your attention is also drawn to the letter of advice from VXLFS which contains, among other things, its advice to the Independent Board Committee in respect of the terms of the Offer and the principal factors and reasons considered by it in arriving at such advice. The text of the letter from VXLFS is set out from pages 18 to 30 of this Composite Offer Document.

By order of the board of
Artfield Group Limited
Liang Jin You
Chairman

KINGSTON SECURITIES LIMITED

Suite 2801, 28th Floor
One International Finance Centre
1 Harbour View Street, Central, Hong Kong

13 June 2007

To the Shareholders

Dear Sir or Madam,

Mandatory conditional cash offer by Kingston Securities Limited on behalf of Marigold Worldwide Group Limited for all the issued Shares in Artfield Group Limited (other than those Shares already owned by Marigold Worldwide Group Limited, Mr. Yam Tak Cheung and parties acting in concert with it any one of them)

INTRODUCTION

On 2 May 2007, Marigold, Golden Glory and Mr. Liang, being the 100% beneficial owner of Golden Glory, entered into the Sale and Purchase Agreement pursuant to which Marigold agreed to purchase and Golden Glory agreed to sell 119,184,300 Shares, representing approximately 39.14% of the entire issued share capital of the Company at the Latest Practicable Date, for a total consideration of HK$65,200,000 (equivalent to approximately HK$0.5471 per Share). The Sale and Purchase Agreement was completed on 2 May 2007.

MANDATORY CONDITIONAL CASH OFFER

Immediately before the signing of the Sale and Purchase Agreement, Marigold, Mr. Yam and parties acting in concert with any one of them did not have any shareholding interests in the Company. Following completion of the Share Purchase, Marigold, Mr. Yam and parties acting in concert with any one of them own an aggregate of 119,184,300 Shares, representing 39.14% of the entire issued share capital of the Company as at the Latest Practicable Date. Marigold, Mr. Yam and parties acting in concert with any one of them are therefore required to make a mandatory conditional cash offer for all the issued Shares (other than those Shares already owned by Marigold, Mr. Yam and parties acting in concert with any one of them) pursuant to Rule 26.1 of the Takeovers Code.

As at the Latest Practicable Date, there are 304,478,584 Shares in issue. Taking into account the 119,184,300 Shares held by Marigold, Mr. Yam and parties acting in concert with any one of them, 185,294,284 Offer Shares will be subject to the Offer.

As at the Latest Practicable Date, there are no outstanding warrants or share options or derivatives or securities convertible into the Shares.

As at the Latest Practicable Date, (i) save for the Sale and Purchase Agreement, there are no arrangements (whether by way of option, indemnity or otherwise) in relation to shares of Marigold or the Company which might be material to the Offer; (ii) there are no agreements or arrangements to which Marigold is a party which relate to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer; and (iii) there are no irrevocable commitment to accept the Offer has been received by Marigold, Mr. Yam and parties acting in concert with any one of them.

The Offer will be made on the terms set out below.

Principal terms of the Offer

Kingston Securities will, on behalf of Marigold, make the Offer in compliance with the Takeovers Code on the following basis:

for each Offer Share .... HK$0.55 in cash

Condition of the Offer

The Offer is conditional upon Marigold having received acceptances of the Offer which, together with the Shares already owned by Marigold, Mr. Yam and parties acting in concert with any one of them before or during the offer period, will result in Marigold, Mr. Yam and parties acting in concert with any one of them holding more than 50% voting rights of the Company.

Marigold does not intend to extend the period of the Offer if the above acceptance condition is not fulfilled by the first closing date of the Offer, which is expected to be on 4 July 2007.

Comparison of value

The price of HK$0.55 for each Offer Share is slightly higher than the consideration for each Share acquired under the Sale and Purchase Agreement and such price represents:

(a) a discount of approximately 62.59% to the closing price of HK$1.47 per Share as quoted on the Stock Exchange on the Last Trading Day;

(b) a discount of approximately 62.64% to the average closing price of approximately HK$1.472 per Share for the 5 trading days up to and including the Last Trading Day;

(c) a discount of approximately 63.46% to the average closing price of approximately HK$1.505 per Share for the 10 trading days up to and including the Last Trading Day;

(d) a discount of approximately 2.65% to the unaudited consolidated net asset value per Share of approximately HK$0.565 as at 30 September 2006 based on the interim report 2006; and

(e) a discount of approximately 60.71% to the closing price of HK$1.40 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Financial resources

As at the Latest Practicable Date, there are 304,478,584 Shares in issue. Based on the offer price of HK$0.55 per Offer Share, the entire issued share capital of the Company is valued at approximately HK$167.46 million and the 185,294,284 Offer Shares under the Offer are valued at approximately HK$101.91 million.

The aggregate consideration for the Offer will be financed by a credit facility provided by Kingston Securities to Marigold. The granting of such credit facility, under which the proceeds drawn shall be applied solely for the purposes of satisfying the purchase price of the Offer Shares under the Offer, is conditional upon, amongst other things, all the Shares subscribed by Marigold pursuant to the Sale and Purchase Agreement and all the Shares to be acquired by Marigold under the Offer (if any) by use of the loan facility being deposited with Kingston Securities from time to time as collateral for such loan facility. The arrangement above will not result in a change of the voting rights of Marigold in respect of the collateralized Shares. The collateralized Shares shall be released to Marigold immediately upon full repayment of all the outstanding amounts of the loan facility and the interest thereon. Marigold confirms that repayment of the credit facility, the interest accrued thereon or any liability thereunder would not be dependent on the business of the Company.

Kingston Corporate Finance is satisfied that there are sufficient financial resources available to Marigold to satisfy full acceptance of the Offer.

Save for the above mentioned credit facility and the undertaking of Marigold to the Stock Exchange to take appropriate steps to ensure that not less than 25% of the Shares will be held by the public at all times, there is no agreement to, arrangement for or understanding of any transfer, charge or pledge of the Shares acquired in pursuance of the Offer to any other persons by the Offeror.

Effect of accepting the Offer

By accepting the Offer, the accepting Shareholders will sell their Shares and all rights attached to them, including the rights to receive all dividends and distributions, if any, declared, made or paid on or after their acceptance of the Offer.

Stamp duty

Stamp duty arising in connection with acceptance of the Offer amounting to HK$1.00 for every HK$1,000 or part thereof of the amount payable in respect of relevant acceptances by the Shareholders, or the market value of the Shares, whichever is greater, will be deducted from the amount payable to Shareholders who accept the Offer. Marigold will then pay such stamp duty deducted to the stamp office of the Inland Revenue Department of Hong Kong.

Compulsory acquisition

Marigold, Mr. Yam and parties acting in concert with any one of them do not intend to exercise any right which may be available to it to acquire compulsorily any outstanding issued Shares not acquired under the Offer after it is closed.

Payment

Payment in cash in respect of the acceptance of the Offer will be made as soon as possible but in any event, within 10 days of the later of the date on which the Offer becomes, or is declared unconditional and the date of receipt of the duly completion acceptance.

INFORMATION ON MARIGOLD

Marigold is an investment holding company incorporated in the British Virgin Islands with limited liability on 11 April 2006 and is wholly owned by Mr. Yam. Other than the entering into of the Sale and Purchase Agreement, Marigold has not conducted any business since its incorporation.

Mr. Yam, aged 46, has over 12 years of experience in the management and operation of a private textile and knitting company of which he is a controlling shareholder. Mr. Yam is a professional investor and has substantial investments in a number of companies whose shares are listed on the Stock Exchange including but not limited to approximately 4.99% shareholding in Guangdong Nan Yue Logistics Company Limited and approximately 4.21% shareholding in FAVA International Holdings Limited. In addition, Mr. Yam is a 50% beneficial owner of Marvel Bonus Holdings Limited which holds approximately 70.41% shareholding in China Motion Telecom International Limited. Mr. Yam is not a director of any of the listed companies in which he has substantial investments. In line with his investment philosophy for his substantial investments in some other listed companies, Mr. Yam will not participate in the management of the Company's business. Accordingly, he will not be nominated as a Director by the Offeror.

INTENTION OF MARIGOLD REGARDING THE GROUP

It is the intention of Marigold that the existing principal activities of the Group will remain unchanged after the close of the Offer. Marigold has no intention to dispose of or re-deploy the assets of the Group other than in the ordinary course of business and to inject its assets into the Group. Following completion of the Share Purchase and following the close of the Offer, Marigold intends to conduct a review of the Group's financial position and operations and formulate a long-term strategy and plans for the Group in order to broaden and expand the scope of business of the Group. Although there is no plan to alter the existing principal activities of the Group at the Latest Practicable Date, it is expected that by virtue of the experience of Mr. Yam in investment and his marketing network, synergistic effect and more business opportunities (although no opportunities has been identified as at the Latest Practicable Date) would be brought to the existing business of the Group by the Offeror.

Save as disclosed above, it is the intention of Marigold that there will be no material change in the existing management and employees of the Group following the close of the Offer to ensure a smooth transition.

PROPOSED CHANGE OF BOARD COMPOSITION OF THE COMPANY

Currently, the Board comprises seven executive Directors and three independent non-executive Directors. As at the Latest Practicable Date, the Company's executive Directors are Mr. Liang Jin You, Ms. Li Kwo Yuk, Mr. Leung Kin Yau, Mr. Ou Jian Sheng, Mr. Deng Ju Neng, Mr. Chen Vee Yong, Frederick and Mr. Lee Sang Yoon and the Company's independent non-executive Directors are Mr. Lo Ming Chi, Charles, Mr. Lo Wah Wai and Mr. Orr, Joseph Wai Shing. It is expected that Mr. Liang Jin You, Ms. Li Kwo Yuk, Mr. Leung Kin Yau, Mr. Ou Jian Sheng, and Mr. Deng Ju Neng will resign upon close of the Offer and such resignation will take effect in full compliance with Rule 7 of the Takeovers Code. Further announcement will be made in compliance with the Listing Rules and the Takeovers Code upon such resignation. It is proposed that Mr. Leung Heung Ying, Alvin, Ms.

Chung Oi Ling, Stella and Mr. Wong Ngao San, Marcus will be appointed as managing Director, executive Director and independent non-executive Directors respectively upon the earliest time allowable under the Takeovers Code, i.e. the despatch of the Composite Offer Document. Details of the proposed Directors are set out as follow:

1) Managing Director — Mr. Leung Heung Ying, Alvin

Mr. Leung Heung Ying, Alvin, aged 44, graduated from the University of Bradford, United Kingdom with a Bachelor Degree. He received a Master Degree from London School of Economics and Political Science of University of London, United Kingdom and a Bachelor Degree in Chinese Laws from the Peking University, the PRC.

He is a fellow member of the Institute of Chartered Accountant in England and Wales and Hong Kong Institute of Certified Public Accountants ("HKICPA"). Currently, he is a Standing Committee Member of Political Consultative Committee of Wu Hua county of Guangdong Province and is an arbitrator of China International Economic And Trade Arbitration Commission. Since 2006, Mr. Leung has been appointed by the Government of Hong Kong Special Administrative Region as a member of Energy Advisory Committee and Public Affairs Forum, respectively. In respect of the professional side, he is a council member of Hong Kong Securities Professionals Association and has served in various committees of HKICPA.

With more than fifteen years of extensive experience in securities and corporate finance, Mr. Leung has participated in a number of international initial public offers shares (including B shares and H shares) as well as mergers and acquisitions exercises. He worked for the Listing Division of The Stock Exchange of Hong Kong Limited, Jardine Fleming Securities Limited (now known as JPMorgan Chase) and was the Head of Corporate Finance of Industrial and Commercial Bank of China (Asia) Limited as well as an executive director of Kingston Corporate Finance Limited.

2) Executive Director — Ms. Chung Oi Ling, Stella

Ms. Chung Oi Ling, Stella, aged 45, is holding a Bachelor Degree in Accounting and Banking from Chu Hai College, Hong Kong. She has more than fifteen years of extensive experience in administration, personnel and sales and marketing.

3) Independent non-executive Director — Mr. Wong Ngao San, Marcus

Mr. Wong Ngao San, Marcus, aged 29, is a Registered Financial Planner and Certified Financial Consultant. Having more than 10 years of experiences in Insurance and Wealth Management, he currently serves as a District Director and Registered Financial Planner of American International Assurance Co. (Bermuda) Limited. Mr. Wong has been a director of Yan Oi Tong since 2004.

WARNING

The Offer are conditional upon Marigold having received valid acceptances of the Offer which, together with the Shares already owned by Marigold, Mr. Yam and parties acting in concert with any one of them before or during the offer period of the Offer, will result in Marigold, Mr. Yam and parties acting in concert with any one of them holding Shares representing more than 50% of the voting rights of the Company. The Offer will be closed at 4:00 p.m. on 4 July 2007 unless Marigold revises or extends the Offer in accordance with Takeovers Code. However, if the Offer has not become or been declared unconditional, the Offer will lapse forthwith.

FURTHER TERMS OF THE OFFER

Further terms and conditions of the Offer, including, among other things, procedures for acceptance and settlement, the acceptance period and taxation matters are set out in Appendix I to this Composite Offer Document and in the Forms of Acceptance.

GENERAL

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

The attention of Overseas Shareholders is drawn to the section headed "Overseas Shareholders" in Appendix I to this Composite Offer Document.

Stockbrokers, banks and others who deal in relevant securities of the Company on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 of the Takeovers Code and those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules pursuant to the Takeovers Code. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any seven day period is less than HK$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.

Independent Shareholders are strongly advised to consider carefully the information contained in the letter from the Board, the letter from the Independent Board Committee and the letter from VXLFS set out in this Composite Offer Document.

Your attention is drawn to the additional information set out in the Appendices, which form part of this Composite Offer Document.

Yours faithfully,
For and on behalf of
Kingston Securities Limited
Chu, Nicholas Yuk-yui
Director

ARTFIELD GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1229)

13 June 2007

To Independent Shareholders

Dear Sir or Madam,

Mandatory conditional cash offer by Kingston Securities Limited on behalf of Marigold Worldwide Group Limited for all the issued Shares in Artfield Group Limited (other than those Shares already owned by Marigold Worldwide Group Limited, Mr. Yam Tak Cheung and parties acting in concert with any one of them)

The Independent Board Committee refers to the composite offer and response document dated 13 June 2007 issued jointly by Marigold and the Company (the "Composite Offer Document"), of which this letter forms part. Terms defined in the Composite Offer Document shall bear the same meanings when used herein unless the context requires otherwise.

The Independent Board Committee has been established to give a recommendation to the Independent Shareholders in respect of the Offer. We, being the members of the Independent Board Committee, have declared that we are independent and do not have any conflict of interest in respect of the Offer and are therefore able to consider the terms of the Offer and make recommendations to the Independent Shareholders. VXLFS has been appointed as the independent financial adviser to advise us in this respect.

Your attention is drawn to the "Letter from the Board" and the "Letter from Kingston Securities" set out from pages 10 to 16 of the Composite Offer Document and the "Letter from VXLFS" setting out their advice to us regarding the Offer as set out from pages 18 to 30 of the Composite Offer Document. Having considered the advice given in the letter from VXLFS, we concur with VXLFS's advice and recommend the Independent Shareholders to accept the Offer.

Notwithstanding our recommendation, the Independent Shareholders should consider carefully the terms and conditions of the Offer.

Yours faithfully,
For and on behalf of Independent Board Committee

Lo Ming Chi, Charles	**Lo Wah Wai**	**Orr, Joseph Wai Shing**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the text of a letter of advice from VXLFS to the Independent Board Committee in respect of the Offer prepared for incorporation in this Composite Offer Document.

VXL Financial Services Limited
Unit 3214, 32nd Floor, Cosco Tower
Grand Millennium Plaza (High Block)
183 Queen's Road Central
Hong Kong

13 June 2007

To the Independent Board Committee of
Artfield Group Limited

Dear Sirs,

Mandatory conditional cash offer by Kingston Securities Limited
on behalf of Marigold Worldwide Group Limited
for all the issued Shares in Artfield Group Limited
(other than those Shares already owned
by Marigold Worldwide Group Limited, Mr. Yam Tak Cheung and
parties acting in concert with any one of them)

INTRODUCTION

We refer to our appointment, as approved by the Independent Board Committee, as the independent financial adviser to the Independent Board Committee in relation to the Offer, details of which are set out in the Composite Offer Document of the Company dated 13 June 2007, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Composite Offer Document unless the context requires otherwise.

The Independent Board Committee comprising Mr. Lo Ming Chi, Charles, Mr. Lo Wah Wai and Mr. Orr, Joseph Wai Shing, being independent non-executive Directors, has been formed to advise the Independent Shareholders in respect of the Offer. In our capacity as the independent financial adviser to the Independent Board Committee, our role is to provide the Independent Board Committee opinion and recommendation as to whether the terms of Offer are fair and reasonable and to give an opinion and recommendation as regards the acceptance of the Offer.

In formulating our recommendation, we have relied on the information and facts contained or referred to in the Composite Offer Document and supplied to us by the Company, and the opinion expressed by and the representations of the Directors and management of the Company. We have assumed that all the information and representations provided to us or contained or referred to in the Composite Offer Document were true, accurate and complete in all respects at the time they were made and continue to be so up to the date of despatch of the Composite Offer Document and may rely upon. We have also assumed that all opinions made by the Directors or the Offeror in the Composite Offer Document were made reasonably after due and careful enquiry and were based on honestly-held opinion. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We have also been advised by the Directors and believe that no material facts have been omitted from the information provided and referred to in the Composite Offer Document.

We have not, however, conducted an independent verification of the information included in the Composite Offer Document and the information provided by the Directors and the Company, nor have we conducted any form of investigation into the businesses, affairs, financial position and or the prospects of the Group, the Vendor, the Offeror or any of their respective associates. We consider that we have reviewed sufficient information, and have performed reasonable steps, to enable us to reach an informed view and to justify our reliance on the accuracy of the information contained in the Composite Offer Document and to provide a reasonable basis for our recommendation. We have no reason to suspect that any relevant information or reports have been withheld, nor are we aware of any facts or circumstances which would render the information provided and the representations made to us to be untrue, inaccurate or misleading.

We have not considered the tax implications on the Independent Shareholders of their acceptances or non-acceptances of the Offer since this is particular to their own individual circumstances. In particular, those Independent Shareholders who are resident outside Hong Kong or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax position with regard to the Offer and, if in doubt, should consult their own professional advisers.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation regarding the terms of the Offer, we have taken into consideration the following principal factors and reasons:

I. Background to and terms of the Offer

On 2 May 2007, Marigold, Golden Glory and Mr. Liang, being the 100% beneficial owner of Golden Glory, entered into and completed the Sale and Purchase Agreement pursuant to which Marigold agreed to purchase and Golden Glory agreed to sell 119,184,300 Shares, representing approximately 39.14% of the entire issued share capital of the Company as at the Latest Practicable Date for a total consideration of HK$65,200,000 (equivalent to approximately HK$0.5471 per Share). Immediately prior to the signing of the Sale and Purchase Agreement, Marigold, Mr. Yam, being the beneficial owner of the entire issued share capital of Marigold, and parties acting in concert with any one of them did not have any shareholding interests in the Company. Marigold, Mr. Yam and parties acting in concert with any of them are therefore required to make a mandatory conditional cash offer for all the issued Shares (other than those Shares already owned by Marigold, Mr. Yam and parties acting in concert with any of them) pursuant to Rule 26.1 of the Takeovers Code.

The Offer is conditional upon Marigold having received acceptances of the Offer which, together with the Shares already owned by Marigold, Mr. Yam and parties acting in concert with any of them before or during the offer period, will result in Marigold, Mr. Yam and parties acting in concert with any of them holding more than 50% voting rights of the Company.

Kingston Securities will, on behalf of the Offeror, make the Offer in compliance with the Takeovers Code on the following basis:

for each Offer Share .... HK$0.55 in cash

The offer price of HK$0.55 for each Offer Share ("Offer Price") is slightly higher than the consideration for each Share acquired under the Sale and Purchase Agreement and represents:

- a discount of approximately 62.59 % to the closing price of HK$1.47 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a discount of approximately 62.64% to the average closing price of approximately HK$1.472 per Share for the 5 consecutive trading days up to and including the Last Trading Day;
- a discount of approximately 63.46% to the average closing price of approximately HK$1.505 per Share for the 10 consecutive trading days up to and including the Last Trading Day;
- a discount of approximately 2.65% to the unaudited consolidated net asset value per Share of approximately HK$0.565 as at 30 September 2006 based on the published interim report of the Company for the six months ended 30 September 2006; and
- a discount of approximately 60.71% to the closing price of HK$1.40 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

As at the Latest Practicable Date, there are 304,478,584 Shares in issue. Taking into account the 119,184,300 Shares held by Marigold, Mr. Yam and parties acting in concert with any of them, 185,294,284 Offer Shares will be subject to the Offer.

By accepting the Offer, the accepting Shareholders will sell their Shares and all rights attached to them.

Further terms and conditions of the Offers, including the procedures for acceptance, are set out in Appendix I to the Composite Offer Document.

Marigold does not intend to extend the period of the Offer if the above acceptance condition is not fulfilled by the first closing date of the Offer, which is expected to be on 4 July 2007.

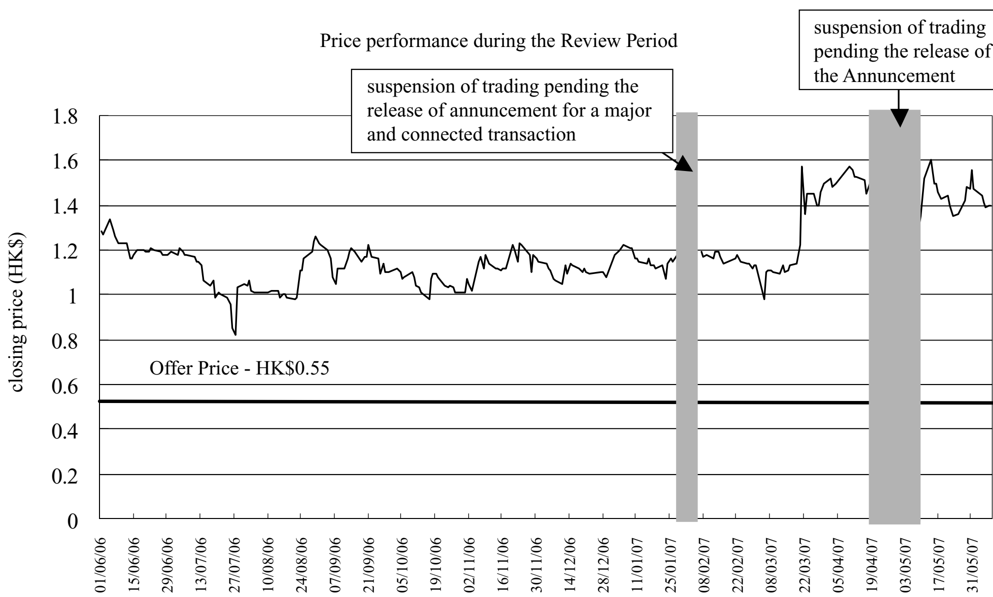
Stamp duty arising in connection with acceptance of the Offer amounting to HK$1.00 for every HK$1,000 (or part thereof) of the amount payable in respect of relevant acceptances by the shareholders, or the market value of the Shares, whichever is greater, will be deducted from the amount payable to the Shareholders who accept the Offer. Marigold will then pay such stamp duty deducted to the stamp office of the Inland Revenue Department of Hong Kong.

Subject to the Offer becoming unconditional, the amount due to each of the Shareholders who accept the Offer shall be paid by Marigold to such Shareholders as soon as possible but in any event within 10 days of the later of the date on which the Offer becomes, or is declared, unconditional and the date of receipt of a duly complete acceptances in accordance with the Takeovers Code.

II. Price performance and liquidity of the Shares

(i) Historical price performance

The chart below shows the daily closing prices of the Shares as quoted on the Stock Exchange during the period from 1 June 2006, being the trading day falling twelve months prior to the Latest Practicable Date, up to the Latest Practicable Date (both dates inclusive) (the "Review Period"). We consider using a period of twelve months, which is equivalent to the length of a full financial year of the Company, to be sufficient for the purpose of assessing the historical price performance of the Shares as it would be relatively reflective of the price performance of the Shares taking into account the business performance of the Company during peak and low seasons in a year.

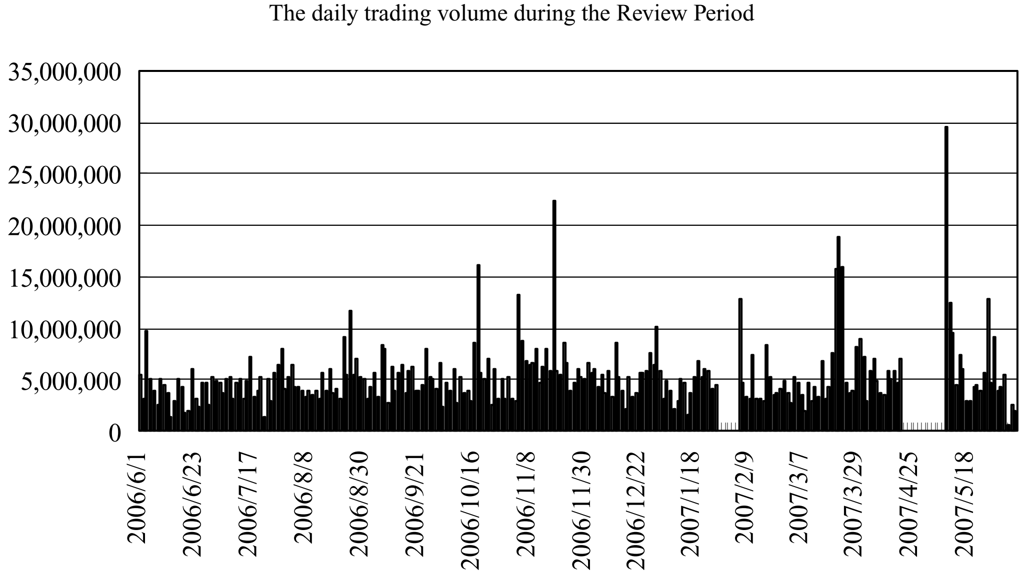


Source: website of the Stock Exchange

As shown in the chart above, the Offer Price is far below the historical closing prices of the Shares ranged from HK$0.82 to HK$1.60 during the Review Period. Furthermore, the Shares continue to trade at substantial premium over the Offer Price during the period from the publication of the Announcement up to the Latest Practicable Date. In this regard, we are of the view that the Offer Price is not attractive to the Independent Shareholders.

(ii) Liquidity of the Shares

The following chart shows the daily trading volume of the Shares during the Review Period:



	Total trading volume for the month/period	**Average daily trading volume for the month/period** *(Note 1)*	**Percentage of average daily trading volume to total number of Shares in issue as at the Latest Practicable Date** *(Note 2)*	**Percentage of average daily trading volume to total number of Shares held by public Shareholders as at the Latest Practicable Date** *(Note 3)*
2006				
June	88,712,000	4,032,364	1.32 %	2.18 %
July	97,140,000	4,625,714	1.52 %	2.50 %
August	117,444,000	5,106,261	1.68 %	2.76 %
September	108,228,000	5,153,714	1.69 %	2.78 %
October	104,164,000	5,208,200	1.71 %	2.81 %
November	154,075,000	7,003,409	2.30 %	3.78 %
December	94,443,000	4,970,684	1.63 %	2.68 %

	Total trading volume for the month/period	Average daily trading volume for the month/period *(Note 1)*	Percentage of average daily trading volume to total number of Shares in issue as at the Latest Practicable Date *(Note 2)*	Percentage of average daily trading volume to total number of Shares held by public Shareholders as at the Latest Practicable Date *(Note 3)*
2007				
January	99,392,000	4,969,600	1,63%	2.68%
February	70,172,000	5,012,286	1.65%	2.71%
March	138,247,410	6,283,973	2.06%	3.39%
April	62,919,000	5,243,250	1.72%	2.83%
May	120,246,000	8,016,400	2.63%	4.33%
June (up to and including the Latest Practicable Date)	18,452,000	3,075,333	1.01%	1.66%

Source: website of the Stock Exchange

Notes:

1. The average daily trading volume for the month/period is calculated by dividing the total trading volume for the month/period by the number of trading days (excluding those days for which trading in the Share were suspended)

2. Based on 304,478,584 Shares in issue as at the Latest Practicable Date

3. Based on 185,294,284 Shares held by public Shareholders as at the Latest Practicable Date

As illustrated in the above table, the average daily trading volume of Shares in each month/period during the Review Period ranged from 3,075,333 to 8,016,400 Shares, representing approximately 1.01% and 2.63% respectively of the total number of issued Shares as at the Latest Practicable Date and approximately 1.66% and 4.33% of the total number of Shares held by public Shareholders as at the Latest Practicable Date. In addition, except during the period for which trading in the Shares was suspended, there was no trading day with zero trading volume. As such, we consider that the trading of the Shares is fairly active for the Independent Shareholders who opt to realize their investment in the Shares in the open market.

Given the Offer Price is far below the historical closing prices of the Shares during the entire Review Period, we are of the view that the Offer Price may not be attractive to the Independent Shareholders although it provides an alternative option for the Independent Shareholders who find it impractical to realize their investment in the Shares in the open market without exerting a downward pressure to the prevailing share price to fall below the Offer Price.

III. Comparable ratios

In order to further assess the fairness and reasonableness of the Offer Price by reference to the other companies listed on Main Board of the Stock Exchange which are principally engaged in the manufacturing and trading of timepieces for which the Company is engaged in ("Comparable Companies"), we, to the best of our effort, identified three Comparable Companies to calculate the price/earnings ratio and price to net asset value per share as shown in the following table:

Name of company	Principal business	Market capitalization as at the Latest Practicable date *(HK$ million)*	Closing price of the shares as at the Latest Practicable Date *(HK$)*	Latest published net asset value per share *(Note 1)*	(Discount)/ premium of the closing price of the shares to/over the latest published net asset value per share	Price to net asset value per share
EganaGoldpfeil (Holdings) Limited (stock code: 48)	Design, assembly, manufacturing and distribution of timepieces and jewellery; manufacturing and distribution of leather products; trading of timepiece components, jewellery and consumer electronic products.	9,296	6.35	1.66	282.53%	3.83
Herald Holdings Limited (stock code: 114)	Manufacture, sale and distribution of toy, gift products, housewares, clocks, watches and electronic products, manufacture and sale of computer heads and leasing of properties.	529	0.87	1.04	(16.35)%	0.84
Peace Mark (Holdings) Limited (stock code: 304)	Manufacture and trading of timepieces.	9,376	9.21	1.62	468.52%	5.69
				Average	**244.90%**	**3.45**
				Highest	**468.52%**	**5.69**
				Lowest	**(16.35)%**	**0.84**
		Market capitalization as at the Latest Practicable date *(HK$ million)*	**Offer Price**	**Unaudited consolidated net asset value per Share as at 30 September 2006**	**Premium of the Offer Price over the latest published net asset value per Share**	**Offer Price to unaudited consolidated net asset value per Share as at 30 September 2006 ("Implied PNAV")**
The Company (stock code: 1229)	Manufacturing and trading of clocks, timepieces, gift and premium products, trading of metals and the operation of computer on-line game.	426	**0.55**	**0.565**	**2.65%**	**0.97**

Note:

1. Based on the latest published annual or interim report of the relevant company prior to the Latest Practicable Date.

(i) Price to net asset value ("PNAV")

In considering the reasonableness of the Offer Price, we have also made reference to the Implied PNAV and the discount of the Offer Price to the consolidated net asset value per Share of the Company.

As set out in table above, the PNAV of the Comparable Companies ranged from approximately 0.84 times to 5.69 times. The Implied PNAV of approximately 0.97 times is within the range of the PNAV of the Comparable Companies as at the Latest Practicable Date. In addition, the closing price per share of the Comparable Companies on the Latest Practicable Date were at a level ranging from a premium of approximately 468.52% to a discount of approximately 16.35% over/to their respective latest published consolidated net asset value per share. The discount of approximately 2.65% of the Offer Price to the unaudited consolidated net asset value per Share as at 30 September 2006 is also within the range of that of the Comparable Companies.

We wish to highlight that the above comparison with the Comparable Companies is for illustrative purposes only as each of the Comparable Companies may not be entirely comparable to the Company in terms of the geographical spread of activities, scale of operations, asset base, risk profile, track record, composition of their business activities, future prospects and other relevant criteria. All these factors may affect the valuation of a company as indicated by the varied range of result in our comparison. Therefore, in forming our opinion, we have considered the results of the above companies together with all other factors stated in this letter as a whole.

(ii) Price earning multiples

Price earnings multiple is considered to be one of the most commonly adopted valuation methodologies for listed companies which give us a general indication on how the market would value the company with reference to its earnings. However, as the Company has recorded a loss for the latest financial year ended 31 March 2006, the use of price earnings multiple to assess the Offer Price is not applicable.

(iii) Dividend yield

The Company did not declare any dividend in the last three financial years ended 31 March 2006. It is therefore impracticable for us to assess the Offer Price in terms of dividend yield it represents.

IV. Historical financial performance of the Group

Period	Business segments	Business segments turnover *(HK$'000)*	Business segments results *(HK$'000)*	Total turnover *(HK$'000)*	Net unallocated expenses *(HK$'000)* *(Note 1)*	Finance costs *(HK$'000)* *(Note 2)*	Others *(HK$'000)*	Loss before tax *(HK$'000)*	Loss for the year/ period attributable to equity holders of the Company *(HK$'000)*
For the year ended 31 March 2004	Clocks and other office related products	145,208	(5,763)	229,925	(9,155)	(3,527)	27 *(Note 3)*	(16,248)	(15,594)
	Lighting products	15,199	82						
	Trading of metal	56,210	(302)						
	Electroplating services	13,308	2,390						
For the year ended 31 March 2005	Clocks and other office related products	158,369	2,233	238,300	(7,243)	(3,185)	2,900 *(Note 4)*	(318)	(2,414)
	Lighting products	26,868	2,035						
	Trading of metal	41,647	1,772						
	Electroplating services	11,416	1,170						
For the year ended 31 March 2006	Clocks and other office related products	155,853	(20,072)	221,135	(8,391)	(2,893)	(40,674) *(Note 5)*	(70,595)	(72,149)
	Lighting products	20,488	(2,391)						
	Trading of metal	29,579	363						
	Electroplating services	15,215	3,463						
For the six months ended 30 September 2006	Clocks and other office related products	66,166	(10,397)	89,348	(3,616)	(1,014)	4,591 *(Note 6)*	(11,486)	(11,982)
	Lighting products	4,136	(1,114)						
	Trading of metal	13,969	(1,155)						
	Electroplating services	5,077	1,219						

Source: annual reports and interim report of the Company

Notes:

1. The net unallocated expenses comprise the net expenses of non-trading companies of the Group, including Artfield Group Limited, Artfield Company Limited, Artfield Gift Limited, Ferdinand International (HK) Limited, Easy Champion International Limited, Drumstead Holdings Limited, Dixon Design Limited, Artfield Trading Limited, Ferdinand International (Europe) Limited and Easy Link Assets Limited and certain expenses which could not be allocated to individual business segments.

2. The finance cost mainly comprises of net interest payment for bank financing

3. Refers to interest income earned by the Group for the year ended 31 March 2004.

4. Refers to (i) interest income of approximately HK$0.4 million; (ii) gain on disposal of subsidiaries of approximately HK$1.7 million; and (iii) share of results of associates of approximately HK$0.8 million.

5. Refers to (i) interest income of approximately HK$0.1 million; (ii) impairment loss recognized in respect of interests in associates of approximately HK$23.8 million; and (iii) impairment loss recognized in respect of goodwill of approximately HK$17.0 million.

6. Refers to (i) interest income of approximately HK$0.03 million; and (ii) gain on disposal of subsidiaries of approximately HK$4.6 million.

For the year ended 31 March 2004

The turnover of the Group was approximately HK$229.9 million for the year ended 31 March 2004, representing a decrease of about 14.5% as compared with the year ended 31 March 2003. Influenced by the outbreak of severe acute respiratory syndrome epidemic and the Iraq war, the performance of the Group was impaired.

For the year ended 31 March 2005

The turnover of the Group for the year ended 31 March 2005 was approximately HK$238.3 million, representing an increase of approximately 3.6% as compared to the year ended 31 March 2004. Despite the fact that the Group recorded a net loss of approximately HK$2.4 million, the results represented an improvement of approximately HK$13.2 million from the year ended 31 March 2004. The loss was mainly attributable to the loss from the operations of the Group's overseas offices.

For the year ended 31 March 2006

For the year ended 31 March 2006, the turnover of the Group was approximately HK$221.1 million, representing a decrease of approximately 7.2% as compared to the year ended 31 March 2005. The Group had incurred a substantial increase in net loss to approximately HK$72.1 million for the year ended 31 March 2006, The loss recorded for the year ended 31 March 2006 was mainly a result of loss from business operations of approximately HK$18.6 million, the recognition of the impairment loss of approximately HK$23.8 million in respect of the disposal of 49% equity interests in Success Start Holdings Limited; the impairment loss of approximately HK$17.0 million in respect of goodwill and the review of the group's inventory value in view of effective of the restriction of the use of certain hazardous substances in electrical and electronic equipment directive from 1 July 2006 in European Community. As referred to in the annual report of the Company for the year ended 31 March 2006, the Group encountered difficult operating environment during the year, including among other things, the substantial increase in cost of materials which the Group used in its manufacturing such as copper, aluminum and plastic resin; surging labour costs as a result of labour shortage in the southern delta area of mainland China and labour turnover; and the appreciation of Renminbi.

For the six months ended 30 September 2006

For the six months ended 30 September 2006, the Group continued to operate in the aforesaid tough operating environment and recorded an unaudited turnover of approximately HK$89.3 million, representing a decrease of approximately 28.2% as compared to the unaudited turnover of approximately HK$124.5 million for the same period last year. The Group recorded an unaudited net loss for the six months ended 30 September 2006 of approximately HK$12.0 million.

We have reviewed the annual reports for the last three financial years and the interim reports of the Comparable Companies and note that all the Comparable Companies have recorded profits during the financial years under review. We further note that notwithstanding all the Comparable Companies remained profitable for the past three financial years, due to the difference in scale of operations, target markets, business strategies and products mix, some of which has experienced a significant increase in both turnover and net profits, while others experienced a decrease in turnover and operating profits. Although the financial performance of the Comparable Companies was better than that of the Group, the manufacturing business of watch industry remains highly competitive and the gross profit slacked as a result of the rising labour and material costs as well as the appreciation of the Renminbi.

According to an article from the Hong Kong Trade Development Council dated 19 January 2007, Hong Kong's watches and clocks companies largely rely on OEM and ODM business. As order quantity for each model is usually small, it is difficult for scale economy through automation, manufacture of complete watches and clocks remains fairly labour intensive in Hong Kong. As discussed in the article, there is severe competition in the watches and clocks industry, especially in the low-end segment as there is an increasing number of manufacturers relocated the labour intensive processes to the mainland China to reduce costs. Such influx of manufacturers to the mainland China will further increase the challenges to the Group's business in terms of product quality and costs control in both labour and materials costs.

In view of (i) the intensified competition in the watches and clocks industry as mentioned above; (ii) the aforesaid difficult operating environment the Group is experiencing at present; and (iii) the consecutive losses made by the Company for the three financial years and the six months preceding the Offer, we are of the view that the discount of the Offer Price to the unaudited consolidated net asset value of the Company and the market price of the Shares during the Review Period to be fair and reasonable.

Although the Company recorded losses throughout the recent three financial years, due to the unattractive Offer Price, the Independent Shareholders who opt to dispose part or all of their Shares by mean of accepting the offer are advised to monitor the market price and liquidity of the Shares carefully and, if net proceeds from the sale of the Shares in the market exceed the amount receivable under the Offer, they should consider selling their Shares in the market rather than accepting the Offer.

V. Other considerations

(i) Intention of the Offeror regarding the future prospect of the Group

We note, from the letter from Kingston Securities, that Marigold intends to continue the existing principle activities of the Group after the close of the Offer. Marigold has no intention to dispose of or re-deploy the assets of the Group other than in the ordinary course of business and to inject its assets into the Group. Following completion of the Share Purchase and the close of the Offer, Marigold intends to conduct a review of the Group's financial position and operations with a view to broadening and expanding the scope of business of the Group and will formulate a long-term strategy and plans for the Group. Although there is no plan to alter the existing principal activities of the Group at the Latest Practicable Date, it is expected that by virtue of the experience of Mr. Yam in investment and his marketing network, synergistic effect and more business opportunities (although no opportunities has been identified as at the Latest Practicable Date) would be brought to the existing business of the Group by the Offeror.

Save as disclosed above, it is the intention of Marigold that there will be no material change in the existing management and employees of the Group following the close of the Offer to ensure a smooth transition.

As stated in the letter from the Board, Marigold intends that the Company will remain listed on the Stock Exchange after the close of the Offer. The Company, Directors, Marigold and the new director to be appointed to the Board have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

As referred to in the letter from Kingston Securities, Marigold intends that the existing principal activities of the Group remained unchanged after the close of the Offer. Since Marigold has not provided detail plans for the business direction of the Group after taking control of the Group and in view of the tough operating environment the Group is experiencing and the loss record for the three years ended 31 March 2006 and the six months ended 30 September 2006, it is difficult to assess whether the future prospects of the Group under the control of Marigold will be significantly improved.

(ii) Directors and management

As stated in the letter from Kingston Securities, among the seven existing Directors, Mr. Liang Jin You, Ms Li Kwo Yuk, Mr. Leung Kin Yau, Mr. Ou Jian Sheng, and Mr. Deng Ju Neng (collectively the "Resigning Directors") will resign and such resignation will take effect in full compliance with Rule 7 of the Takeovers Code. Further announcement will be made by the Company in compliance with the Listing Rules and the Takeovers Code upon such resignation.

It is proposed that Mr. Leung Heung Ying, Alvin and Ms. Chung Oi Ling, Stella will be appointed as managing Director and executive Director respectively and Mr. Wong Ngao San, Marcus will be appointed as independent non-executive Director upon the earliest time allowable under the Takeovers Code, i.e. the dispatch of the Composite Offer Document.

We note that the majority of the executive Directors of the existing Board will resign and that the proposed Directors as referred to above do not have relevant experience in the industry for which the Company principally engaged. However, we are further given to understand by the Company that the Resigning Directors will remain as directors of the principal operating subsidiaries of the Group. As such, we are of the view that the continuity of the management of the Group may be preserved notwithstanding the above proposed changes to the Board.

RECOMMENDATION

Having considered the above principal factors and reasons, in particular that:

- the Implied PNAV of approximately 0.97 times is within the range of the PNAV of the Comparable Companies as at the Latest Practicable Date;
- the discount of the Offer Price to the unaudited consolidated net asset value per Share of the Company is within the range of that of the Comparable Companies;
- the Company continue to make loss for the recent three financial years;
- competition in the industry for which the Group engaged in remains severe; and
- it is uncleared as to whether the future prospects of the Group under the control of the Offeror will be significantly improved,

we are of the view that the terms of the Offer, including the Offer Price, **are fair and reasonable** so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders **to accept the Offer**.

However, having considered the Offer Price is far below the historical closing prices of the Shares during the Review Period and the Shares continue to trade at substantial premium during the period from the issue of the Announcement up to the Latest Practicable Date, **those Independent Shareholders who opt to dispose part or all of their Shares by mean of accepting the Offer are advised to monitor the market price and liquidity of the Shares carefully and, if net proceeds from the sale of the Shares in the market exceed the amount receivable under the Offer, they should consider selling their Shares in the market rather than accepting the Offer.**

Yours faithfully,
For and on behalf of
VXL Financial Services Limited
Gary Mui
Executive Director
Head of Corporate Finance

1. PROCEDURES FOR ACCEPTANCE

The Offer

If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title in respect of your Shares are in your name, and you wish to accept the Offer, you must send the duly completed relevant Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title and/or any satisfactory indemnity or indemnities required in respect thereof, to the Registrar in any event not later than 4:00 p.m. on Wednesday, 4 July 2007 or such later time and/or date as Marigold may determine and announce in accordance with the Takeovers Code.

If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title in respect of your Shares is/are in the name of a nominee company or some name other than your own, and you wish to accept the Offer whether in full or in respect of part of your holding of Shares, you must either:

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

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

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

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

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

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

An acceptance may not be counted as valid unless:

(a) it is received by the Registrar on or before the latest time for acceptance; and

(b) the Form of Acceptance is duly completed and is:

(i) accompanied by Share certificate(s) in respect of the relevant Shares and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnity required in respect thereof) and, if that/those Share certificate(s) is/are not in the name of the acceptor, such other documents (e.g. a duly stamped transfer of the relevant Shares in blank or in favour of the acceptor executed by the registered holder) in order to establish the right of the acceptor to become the registered holder of the relevant Shares; or

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

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

If the Form of Acceptance is executed by a person other than the registered Shareholder, appropriate evidence of authority (e.g. grant of probate or certified copy of a power of attorney) must be produced.

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

2. SETTLEMENT

The Offer

Provided that the Form(s) of Acceptance and relevant Share certificate(s) and/ or transfer receipt(s) and/or any document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are in complete and good order and have been received by the Registrar by not later than the latest time for acceptance of the Offer, a cheque for the amount due to the accepting Shareholders in respect of the Shares tendered by them under the Offer, less seller 's ad valorem stamp duty payable by them, will be despatched to the accepting Shareholders to the addresses specified on the Forms of Acceptance by ordinary post at their own risk within 10 days of the later of (i) the date on which all the relevant documents are received by the Registrar to render such acceptance complete and valid; or (ii) the date on which the Offer becomes, or is declared, unconditional.

Settlement of the consideration to which any accepting Shareholder(s) is/are entitled under the Offer will be implemented in full in accordance with the terms of the Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which Marigold may otherwise be, or claim to be, entitled against such accepting Shareholder.

If the Offer cannot become unconditional and lapses, Marigold must, as soon as possible but in any event within 10 days thereof, despatch the Share certificate(s) lodged with the Form(s) of Acceptance to, or make such Share certificate(s) available for collection by, those Shareholders who accepted the Offer.

3. ACCEPTANCE PERIOD AND REVISIONS

Unless the Offer have previously been declared unconditional or revised, the latest time and date for acceptance will be 4:00 p.m. on Wednesday, 4 July 2007. The Offer are conditional upon Marigold receiving acceptance in respect of Shares, which together with Shares already held by it, Mr. Yam and parties acting in concert with any one of them before and during the Offer, will result in Marigold, Mr. Yam and parties acting in concert with any one of them holding more than 50% of the voting rights of the Company. Pursuant to the Takeovers Code, where the Offer is declared unconditional, the Offer will remain open for acceptance for not less than 14 days thereafter. Marigold will make an announcement as and when the Offer becomes unconditional. Marigold reserves the right to revise the Offer after the despatch of this Composite Offer Document until such day as it may determine and in accordance with the Takeovers Code. If Marigold revises its terms, all Independent Shareholders, whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms.

If the Offer is revised, the announcement of such revision will state the next closing date. If the Offer are revised, it will remain open for acceptance for a period of not less than 14 days from the posting of the revised offer document.

In order to be valid, Form(s) of Acceptance for the Offer must be received by the Registrar in accordance with the instructions printed thereon by 4:00 p.m. on Wednesday, 4 July 2007, unless the Offer becomes or is declared unconditional. In the event that the Offer becomes or is declared unconditional, the Offer should remain open for acceptance for not less than 14 days thereafter.

4. ANNOUNCEMENTS

(i) By 6:00 p.m. on Wednesday, 4 July 2007, which is the first closing date of the Offer, Marigold must inform the Executive and the Stock Exchange of its decisions in relation to revision, extension, expiry or unconditionality of the Offer. Marigold shall publish an announcement to be posted on the Stock Exchange's website by 7:00 p.m. on the first closing date of the Offer stating whether the Offer has been revised or extended, has expired or has become or been declared unconditional. Such announcement will be published on the next business day in accordance with paragraph (ii) below. The announcement shall specify the number of Shares (a) for which valid acceptances have been received, (b) held, controlled or directed by Marigold, Mr. Yam or persons acting in concert with any one of them before the period of the Offer; and (c) acquired or agreed to be acquired by Marigold, Mr. Yam or any person acting in concert with any one of them during the period of the Offer.

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

(ii) As required under the Takeovers Code and the Listing Rules, any announcements in relation to the Offer, in respect of which the Executive and the Stock Exchange have confirmed that they have no further comments thereon, must be published as a paid announcement in at least one leading English language newspaper and one leading Chinese newspaper, being in each case a newspaper which is published daily and circulating generally in Hong Kong.

5. RIGHT OF WITHDRAWAL

An acceptor of the Offer shall be entitled to withdraw his/her acceptance after 21 days from the first closing date of the Offer if the Offer have not by then become unconditional by lodging a notice in writing signed by the acceptor (or his/her agent duly appointed in writing and evidence of whose appointment is produced together with the notice) to the Registrar and/or to the principal office of the Company. However, such entitlement to withdraw shall be exercisable only until such time as the Offer becoming unconditional as to acceptance. Save as aforesaid and except in the circumstances set out in Rule 19.2 of the Takeovers Code which is to the effect that if Marigold is unable to comply with any of the requirements of making announcements relating to the Offer as described under the section headed "Announcements" above, the Executive may require that acceptors be granted a right of withdrawal on terms acceptable to the Executive until such requirements can be met. Except in the circumstances set out above, acceptances shall be irrevocable and not capable of being withdrawn.

6. STAMP DUTY

Hong Kong stamp duty at a rate of HK$1.00 for every HK$1,000 (or part thereof) of the amount payable which is based on the number of accepted Shares and the market value of the Share or the offer price of the Share (at the discretion of the Collector of Stamp Duty) in respect of relevant acceptances will be deducted from the consideration payable to the accepting Shareholders. Marigold will then, on behalf of the accepting Shareholders, pay such amount to the Inland Revenue Department of Hong Kong. Marigold will also pay stamp duty payable by it as purchaser of the Shares pursuant to the Offer based on the gross consideration payable to the accepting Shareholders in respect of the Offer.

7. TAXATION

Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their accepting the Offer. It is emphasised that none of Marigold, Kingston Securities or Kingston Corporate Finance or any of their respective directors or any persons involved in the Offer accept responsibility for any tax effects or liabilities of any person or persons as a result of their acceptance of the Offer.

8. OVERSEAS SHAREHOLDERS

The making of the Offer to Overseas Shareholders may be prohibited or affected by the laws of the relevant jurisdiction. Overseas Shareholders should obtain appropriate legal advice on, inform themselves about and observe any applicable legal requirement. It is the responsibility of each Overseas Shareholder who wishes to accept the Offer to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements.

9. GENERAL

(i) Acceptance of the Offer by any person or persons holding Shares will be deemed to constitute a warranty by such person or persons to Marigold that the Shares acquired under the Offer are sold by any such person or persons free from all liens, charges, encumbrances, equities and third party rights and together with all rights attaching thereto, including the right to receive all dividends and distributions declared, made or paid on or after their acceptance of the Offer.

(ii) All communications, notices, Forms of Acceptance, Share certificates, transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to be delivered by or sent to or from the Shareholders will be delivered by or sent to or from them, or their designated agents, through post at their own risk, and none of Marigold, Kingston Corporate Finance or Kingston Securities nor the Registrar or any of their respective agents, accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.

(iii) The provisions set out in the Form of Acceptance form part of the terms of the Offer.

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

(v) The Offer and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.

(vi) Due execution of a Form of Acceptance will constitute an authority to the Company, Marigold, any director of Marigold, Kingston Corporate Finance, Kingston Securities or such person or persons as Marigold may direct, to complete and execute any document on behalf of the person or persons accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in Marigold, or such person or persons as it may direct, the Shares in respect of which such person or persons has/have accepted the Offer.

(vii) References to the Offer in this Composite Offer Document and in the Form of Acceptance shall include any revision thereof.

(viii) The English text of this Composite Offer Document and of the Form of Acceptance shall prevail over their respective Chinese text.

1. SUMMARY OF FINANCIAL RESULTS FOR THE THREE YEARS ENDED 31 MARCH 2006

The following financial information has been extracted from the audited financial statements of the Group for each of the three years ended 31 March 2006:

Consolidated income statement

For the three years ended 31 March 2006

	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
Turnover	221,135	238,300	229,925
Cost of sales and services provided	(192,309)	(181,868)	(180,553)
Gross profit	28,826	56,432	49,372
Other operating income	2,509	1,213	1,829
Selling and distribution expenses	(13,824)	(12,018)	(12,136)
Administrative expenses	(44,441)	(43,530)	(48,722)
Other operating expenses	—	(1,688)	(3,064)
Finance costs	(2,893)	(3,185)	(3,527)
Gain on disposal of subsidiaries	—	1,693	—
Share of results of associates	—	765	—
Impairment loss recognised in respect of interests in associates	(23,768)	—	—
Impairment loss recognised in respect of goodwill	(17,004)	—	—
Loss before tax	(70,595)	(318)	(16,248)
Income tax expenses	(1,516)	(1,755)	182
Loss for the year	(72,111)	(2,073)	(16,066)
Attributable to:			
Equity holders of the Company	(72,149)	(2,414)	(15,594)
Minority interests	38	341	(472)
	(72,111)	(2,073)	(16,066)
Dividend	—	—	—
Loss per share — basic	(HK$27.49 cents)	(HK$0.92 cents)	(HK$6.87 cents)

Neither extraordinary nor exceptional items existed for each of the three years ended 31 March 2006.

No dividend was paid or declared by the Company for each of the three years ended 31 March 2006.

There was no qualification in the auditor's reports for each of the three years ended 31 March 2006.

2. SUMMARY OF FINANCIAL RESULT FOR THE TWO YEARS ENDED 31 MARCH 2006

The following financial information has been extracted from the Annual Report of 2006 of the Company:

Consolidated income statement
For the year ended 31 March 2006

	Notes	**2006** *HK$'000*	**2005** *HK$'000* (Restated)
Turnover	*6*	221,135	238,300
Cost of sales and services provided		(192,309)	(181,868)
Gross profit		28,826	56,432
Other operating income		2,509	1,213
Selling and distribution expenses		(13,824)	(12,018)
Administrative expenses		(44,441)	(43,530)
Other operating expenses		—	(1,688)
Finance costs	*8*	(2,893)	(3,185)
Gain on disposal of subsidiaries	*30*	—	1,693
Share of results of associates		—	765
Impairment loss recognised in respect of interests in associates	*19*	(23,768)	—
Impairment loss recognised in respect of goodwill	*18*	(17,004)	—
Loss before tax	*9*	(70,595)	(318)
Income tax expenses	*10*	(1,516)	(1,755)
Loss for the year		(72,111)	(2,073)
Attributable to:			
Equity holders of the Company		(72,149)	(2,414)
Minority interests		38	341
		(72,111)	(2,073)
Dividend	*11*	—	—
Loss per share — basic	*12*	(HK$27.49 cents)	(HK$0.92 cents)

Consolidated Balance Sheet
As at 31 March 2006

	Notes	2006 HK$'000	2005 HK$'000 (Restated)
Non-current assets			
Investment properties	14	6,426	—
Property, plant and equipment	15	56,499	66,994
Prepaid lease payments on land use rights	16	9,008	8,874
Intangible assets	17	—	39
Goodwill	18	—	17,004
Interests in associates	19	6,000	18,316
Deferred tax assets	28	135	135
		78,068	111,362
Current assets			
Inventories	20	79,118	95,634
Trade and bills receivables	21	55,637	56,904
Prepayments, deposits and other receivables	22	6,128	7,409
Prepaid lease payments on land use rights	16	220	208
Financial assets at fair value through profit or loss	23	2,343	—
Other investments	24	—	2,311
Amounts due from associates	19	—	210
Tax recoverable		86	—
Bank balances and cash		8,029	7,632
		151,561	170,308
Current liabilities			
Trade payables	25	28,553	31,427
Other payables and accruals	25	21,877	12,479
Tax payable		1,277	993
Obligations under finance leases — due within one year	26	598	606
Bank and other borrowings — due within one year	27	32,391	29,318
		84,696	74,823
Net current assets		66,865	95,485
Total assets less current liabilities		144,933	206,847

Consolidated Balance Sheet
As at 31 March 2006

	Notes	**2006** *HK$'000*	**2005** *HK$'000* (Restated)
Capital and reserves			
Share capital	*29*	26,248	26,248
Reserves		106,591	162,338
Equity attributable to equity holders of the Company		132,839	188,586
Minority interests		7,002	6,964
		139,841	195,550
Non-current liabilities			
Obligations under finance leases — due after one year	*26*	586	363
Bank and other borrowings — due after one year	*27*	—	6,112
Deferred tax liabilities	*28*	4,506	4,822
		5,092	11,297
		144,933	206,847

Consolidated Statement of Changes in Equity

For the year ended 31 March 2006

	Attributable to equity holders of the Company									
	Share capital	Share premium	Property revaluation reserve	Capital reserve	Reserve and enterprise expansion funds	Exchange translation reserve	Retained earnings (deficit)	Total	interests	Minority Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2004 as originally stated	24,054	25,123	22,710	42,516	9,116	1,434	56,184	181,137	—	181,137
Effect of changes in accounting policies (see Note 2A)	—	—	(8,723)	—	—	—	2,598	(6,125)	6,623	498
At 1 April 2004 as restated	24,054	25,123	13,987	42,516	9,116	1,434	58,782	175,012	6,623	181,635
Exchange difference arising on translation of overseas operation	—	—	—	—	—	(1,854)	—	(1,854)	—	(1,854)
(Loss) / profit for the year	—	—	—	—	—	—	(2,414)	(2,414)	341	(2,073)
Total recognised income and expense for the year	—	—	—	—	—	(1,854)	(2,414)	(4,268)	341	(3,927)
Shares allotted for settlement of consideration in respect of acquisition of an associate	2,194	15,358	—	—	—	—	—	17,552	—	17,552
Disposal of property, plant and equipment	—	—	(1,159)	—	—	—	1,159	—	—	—
Release of deferred tax liabilities upon disposal of property, plant and equipment	—	—	203	—	—	—	—	203	—	203
Eliminated on disposal of subsidiaries	—	—	—	87	—	—	—	87	—	87
At 31 March 2005	26,248	40,481	13,031	42,603	9,116	(420)	57,527	188,586	6,964	195,550
Effects of changes in accounting policies (see Note 2A)	—	—	(1,489)	3,391	—	—	9,866	11,768	—	11,768
At 1 April 2005 as restated	26,248	40,481	11,542	45,994	9,116	(420)	67,393	200,354	6,964	207,318

Consolidated Statement of Changes in Equity

For the year ended 31 March 2006

	Attributable to equity holders of the Company									
	Share capital	Share premium	Property revaluation reserve	Capital reserve	Reserve and enterprise expansion funds	Exchange translation reserve	Retained earnings (deficit)	Total	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Exchange difference arising on translation of overseas operation	—	—	—	—	—	4,634	—	4,634	—	4,634
(Loss) profit for the year	—	—	—	—	—	—	(72,149)	(72,149)	38	(72,111)
Total recognised income and expenses for the year	—	—	—	—	—	4,634	(72,149)	(67,515)	38	(67,477)
At 31 March 2006	26,248	40,481	11,542	45,994	9,116	4,214	(4,756)	132,839	7,002	139,841

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

Consolidated Cash Flow Statement
For the year ended 31 March 2006

	2006	2005
	HK$'000	*HK$'000*
		(Restated)
OPERATING ACTIVITIES		
Loss before tax	(70,595)	(318)
Adjustments for:		
Write off of bad and doubt debts	1,796	—
Amortisation of goodwill	—	996
Amortisation of intangible assets	27	27
Amortisation of prepaid lease payment	220	208
Depreciation of property, plant and equipment	7,091	9,754
Depreciation of investment properties	272	—
Finance costs	2,893	3,185
Gain on disposal of subsidiaries	—	(1,693)
(Gain) loss on disposal of property, plant and equipment	(19)	544
Impairment loss recognised in respect of goodwill	17,004	—
Impairment loss recognised in respect of investment properties	571	—
Impairment loss recognised in respect of interests in associates	23,768	—
Interest income	(98)	(442)
Gain arising from changes in fair value of financial assets	(32)	—
Share of results of associates	—	(765)
Unrealised holding loss on other investments	—	103
Write back of allowance for bad and doubtful debts	(201)	(326)
Write down for inventories	8,399	—
Operating cash flow before movements in working capital	(8,904)	11,273
Decrease (increase) in inventories	8,109	(6,915)
Decrease in trade and bills receivables, prepayments, deposits and other receivables	4,378	3,097
Increase in trade payables, other payables and accruals	6,524	8,655
Decrease in trust receipt loans	(1,867)	(1,845)

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 March 2006

	NOTE	**2006** *HK$'000*	**2005** *HK$'000* (Restated)
Cash generated from operations		8,240	14,265
Interest received		98	442
Interest paid		(2,893)	(3,185)
Hong Kong Profits Tax paid		(216)	(232)
Overseas taxes paid		(1,102)	(234)
NET CASH GENERATED FROM OPERATING ACTIVITIES		4,127	11,056
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(1,668)	(6,465)
Repayment from (advance to) associates		210	(210)
Proceeds from disposal of property, plant and equipment		48	813
Disposal of subsidiaries	*30*	—	21,982
Repayment from related companies		—	278
NET CASH (USED IN) GENERATED FROM INVESTING ACTIVITIES		(1,410)	16,398
FINANCING ACTIVITIES			
Repayment of bank loans		(15,415)	(35,418)
New bank loans raised		12,711	7,226
Repayments of obligations under finance leases		(1,050)	(846)
New other loans raised		567	—
Repayment of other loans		(259)	(473)
NET CASH USED IN FINANCING ACTIVITIES		(3,446)	(29,511)

Consolidated Cash Flow Statement
For the year ended 31 March 2006

	NOTE	**2006** *HK$'000*	**2005** *HK$'000* (Restated)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(729)	(2,057)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		(2,964)	(975)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		306	68
CASH AND CASH EQUIVALENTS AT END OF YEAR		(3,387)	(2,964)
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS, represented by:			
Bank balances and cash		8,029	7,632
Bank overdrafts		(11,416)	(10,596)
		(3,387)	(2,964)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2006

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

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

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

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (HKFRSs), Hong Kong Accounting Standards (HKASs) and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current and prior accounting years are prepared and presented:

Business Combinations

In the current year, the Group has applied HKFRS 3 Business Combinations which is effective for business combinations for which the agreement date is on or after 1 January 2005. The principal effects of the application of transitional provision of HKFRS3 to the Group are summarised below:

Goodwill

In previous years, goodwill arising on acquisition prior to 1 April 2001 was held in reserves and goodwill arising on acquisitions after 1 April 2001 was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. Goodwill previously recognised in reserves of HK$4,488,000 has been transferred to the Group's retained earnings on 1 April 2005. With respect of goodwill previously capitalised on the balance sheet, the Group on 1 April 2005, eliminated the carrying amount of the related accumulated amortisation of HK$2,989,000 with a corresponding decrease in the cost of goodwill (see Note 18). The Group has discontinued amortising such goodwill from 1 April 2005 onwards and such goodwill will be tested for impairment at least annually. Goodwill arising on acquisitions after 1 April 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current year. Comparative figures for 2005 have not been restated (see Note 2A for the financial impact).

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES *(Continued)*

Business Combinations *(Continued)*

Goodwill (Continued)

In the current year, the Group has also applied HKAS 21 The effects of Changes in Foreign Exchange Rates which requires goodwill to be treated as assets and liabilities of the foreign operation and translated at closing rate at each balance sheet date. Previously, goodwill arising on acquisitions of foreign operations was reported at the historical rate at each balance sheet date. In accordance with the relevant transitional provision in HKAS 21, goodwill arising on acquisitions prior to 1 April 2005 is treated as a non-monetary foreign currency item. Therefore, no prior period adjustment has been made.

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in profit or loss in the period in which the acquisition takes place. In previous years, negative goodwill arising on acquisitions prior to 1 April 2001 was held in reserves, and negative goodwill arising on acquisitions after 1 April 2001 was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted. In accordance with the relevant transitional provisions in HKFRS 3, the Group derecognised all negative goodwill on 1 April 2005 (of which negative goodwill of HK$1,097,000 was previously recorded in reserves and of HK$11,452,000 was previously presented as a deduction from assets). A corresponding adjustment to the Group's retained earnings of HK$12,549,000 has been made.

Share-based Payment

In the current year, the Group has applied HKFRS 2 Sharebased Payment which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options granted to directors and employees of the Company, determined at the date of grant of the share options, over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1 April 2005. In relation to share options granted before 1 April 2005, the Group chooses not to apply HKFRS 2 with respect to share options granted on or before 7 November 2002 and vested before 1 April 2005.

Financial Instruments

In the current year, the Group has applied HKAS 32 Financial Instruments: Disclosure and Presentation and HKAS 39 Financial Instruments: Recognition and Measurement. HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1 April 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The application of HKAS 32 has had no material impact on how financial instruments of the Group are presented for current and prior accounting periods. The principal effects resulting from the implementation of HKAS 39 are summarised below:

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES *(Continued)*

Financial Instruments *(Continued)*

Classification and measurement of financial assets and financial liabilities (Continued)

The Group has applied the relevant transitional provisions in HKAS 39 with respect to the classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 31 March 2005, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 ("SSAP 24"). Under SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments" as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gains or losses included in profit or loss. Held-to-maturity investments are carried at amortised cost less impairment losses (if any). From 1 April 2005 onwards, the Group has classified and measured its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. Available-for-sale equity investments that do not have quoted market prices in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less impairment after initial recognition. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method after initial recognition.

On 1 April 2005, the Group classified and measured its debt and equity securities in accordance with the transitional provisions of HKAS 39. As a result, other investment amounted to HK$2,311,000 has been classified as "financial assets at fair value through profit or loss" on 1 April 2005 (see Note 2A for the financial impact).

Financial assets and financial liabilities other than debt and equity securities

From 1 April 2005 onwards, the Group has classified and measured its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in profit or loss directly. Other financial liabilities are carried at amortised cost using the effective interest method after initial recognition. The adoption of HKAS 39 has had no material effect on how the results for the current accounting period are prepared and presented.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES *(Continued)*

Owner-occupied Leasehold Interest in Land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current year, the Group has applied HKAS 17 Leases. Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively (see Note 2A for the financial impact).

Investment Properties

In the current year, the Group has, for the first time, applied HKAS 40 Investment Property. The Group has elected to use the cost model to account for its investment properties, under which investment properties are carried at cost less accumulated depreciation and accumulated impairment losses (if any). In previous years, investment properties under the predecessor Standard were measured at open market values, with revaluation surplus or deficits credited or charged to property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the property revaluation reserve was charged to the consolidated income statement. Where a decrease had previously been charged to the consolidated income statement and a revaluation surplus subsequently arose, that increase was credited to the consolidated income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1 April 2005 onwards. The amount held in the property revaluation reserve at 1 April 2005 has been transferred to the Group's retained earnings (see Note 2A for the financial impact).

2A. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described above on the results for the current and prior years are as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Non-amortisation of goodwill	996	—
Decrease in negative goodwill released to income of associates	(602)	—
Depreciation of investment properties	(272)	—
Decrease in loss for the year	122	—

2A. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES *(Continued)*

The cumulative effects of the application of the new HKFRSs on 31 March 2005 and 1 April 2005 are summarised below:

	As at 31 March 2005 (originally stated)	**Retrospective adjustments**		**As at 31 March 2005 (restated)**	**Prospective adjustments**			**As at 1 April 2005 (restated)**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		HKAS 1	HKAS 17		HKAS 39	HKAS 40	HKFRS 3	
Balance sheet items								
Property, plant and equipment	81,945	—	(14,951)	66,994	—	—	—	66,994
Prepaid lease payments on land use rights	—	—	9,082	9,082	—	—	—	9,082
Other investments	2,311	—	—	2,311	(2,311)	—	—	—
Financial assets at fair value through profit or loss	—	—	—	—	2,311	—	—	2,311
Interests in associates	18,316	—	—	18,316	—	—	11,452	29,768
Deferred tax liabilities	(4,822)	—	—	(4,822)	—	316	—	(4,506)
Total effects on assets and liabilities	97,750	—	(5,869)	91,881	—	316	11,452	103,649
Property revaluation reserve	21,754	—	(8,723)	13,031	—	(1,489)	—	11,542
Capital reserve	42,603	—	—	42,603	—	—	3,391	45,994
Retained earnings	54,673	—	2,854	57,527	—	1,805	8,061	67,393
Minority interests	—	6,964	—	6,964	—	—	—	6,964
Total effects on equity	119,030	6,964	(5,869)	120,125	—	316	11,452	131,893
Minority interests	6,964	(6,964)	—	—	—	—	—	—

2A. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES (CONTINUED)

The financial effects of the application of the new HKFRSs to the Group's equity on 1 April 2004 are summarised below:

	As originally stated	Adjustments		As restated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
		HKAS 1	HKAS 17	
Retained earnings	56,184	—	2,598	58,782
Property revaluation reserve	22,710	—	(8,723)	13,987
Minority interests	—	6,623	—	6,623
Total effects on equity	78,894	6,623	(6,125)	79,392

At the date of authorisation of these consolidated financial statements, the following standards and interpretations and amendments were in issue but not yet effective for the years covered by these consolidated financial statements.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures[2]
HKAS 21 (Amendment)	Net Investment in a Foreign Operation[2]
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions[2]
HKAS 39 (Amendment)	The Fair Value Option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial Guarantee Contracts[2]
HKFRS 6	Exploration for and Evaluation of Mineral Resources[2]
HKFRS 7	Financial Instruments: Disclosures[1]
HK(IFRIC)-Int 4	Determining whether an Arrangement Contains a Lease[2]
HK(IFRIC)-Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds[2]
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market, Waste Electrical and Electronic Equipment[3]
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]
HK(IFRIC)-Int 8	Scope of HKFRS 2[5]
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives[6]

[1] Effective for annual periods beginning on or after 1 January 2007.
[2] Effective for annual periods beginning on or after 1 January 2006.
[3] Effective for annual periods beginning on or after 1 December 2005.
[4] Effective for annual periods beginning on or after 1 March 2006.
[5] Effective for annual periods beginning on or after 1 May 2006.
[6] Effective for annual periods beginning on or after 1 June 2006.

The Group has not early applied the new standards and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the financial statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year.

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

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

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

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

(b) Goodwill

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

For previously capitalised goodwill arising on acquisitions after 1 April 2001, the Group has discontinued amortisation from 1 April 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired (see the accounting policy below).

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Goodwill *(Continued)*

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

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

(c) Excess of an acquirer's interest in the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over cost ("discount on acquisitions")

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of a subsidiary, after reassessment, is recognised immediately in the consolidated income statement. As explained in Note 2 above, all negative goodwill as at 1 April 2005 has been derecognised with a corresponding adjustment to the Group's retained earnings.

(d) Investments in subsidiaries

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

(e) Interests in associates

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Intangible assets

Intangible assets acquired separately are capitalised at cost and those acquired from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets. Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against the profit or loss in the year in which the expenditure is incurred.

Useful lives of acquired intangible assets are assessed to be either finite or indefinite. Intangible assets with finite useful lives are stated at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets with indefinite useful lives are stated at cost less any subsequent accumulated impairment losses.

Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Intangible assets are tested for impairment annually either individually or at the cash-generating unit level. Useful lives are also examined on an annual basis and, where applicable, adjustments are made on a prospective basis.

As intangible asset is derecognised on disposal or no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of the intangible asset, calculated as the difference between the net disposal proceeds and the carrying amount of the intangible asset, is recognised in the consolidated income statement in the year the intangible asset is derecognised.

Patents and Trademarks

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

Research and development costs

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

An internally-generated intangible asset arising from development cost is recognised only if it is anticipated that the development costs incurred on a clearlydefined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life, and carried at cost less subsequent accumulated amortisation and any accumulated impairment losses.

Where no internally-generated intangible asset can be recognised, development cost is charged to profit or loss in the year in which it is incurred.

Impairment

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

3. **SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

(f) **Intangible assets** *(Continued)*

Impairment (Continued)

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

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

(g) **Property, plant and equipment**

Property, plant and equipment other than construction in progress are stated at cost less accumulated depreciation and accumulated impairment losses.

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Investment properties

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

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

(i) Land use rights

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

(j) Financial instruments

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

Financial assets

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments *(Continued)*

Loans and receivables

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

Financial liabilities and equity

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

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

Other financial liabilities

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

Equity instruments

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

Derecognition

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments *(Continued)*

Derecognition (Continued)

For financial liabilities, they are removed from the Group's balance sheet (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expired). The difference between the carrying amount of the financial liability derecognised and the consideration received or receivable is recognised in profit or loss.

(k) Inventories

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

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

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amounts, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that other standard.

(m) Revenue recognition

Revenue from sales of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the title has passed. Revenue is measured at the fair value of the consideration received or receivables.

Provision of electroplating services is recognised when the services are rendered.

Dividend income is recognised when the shareholders' right to receive payment has been established.

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

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

3. **SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

(n) Equity settled share-based payment transactions

Share options granted to directors and employees of the Company

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

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

(o) Taxation

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

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

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

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

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

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

3. **SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

(p) Foreign currencies

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

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

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

(q) Leasing

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

The Group as lessor

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

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see accounting policies in respect of borrowing costs).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Leasing *(Continued)*

The Group as lessee (Continued)

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

(r) Borrowing costs

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

(s) Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme (the "MPF Scheme") and state-managed retirement benefits scheme are charged as an expense as they fall due.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Depreciation of property, plant and equipment and investment properties

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

Amortisation of intangible assets

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Allowance for bad and doubtful debts

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

Write off of inventories

The management of the Group reviews an aging analysis at each balance sheet date, and write off for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. The Group carries out an inventory review on a product-by-product basis at each balance sheet date and write off for obsolete items.

Impairment of investment properties

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

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. As at 31 March 2006, the goodwill was fully impaired.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Currency risk

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

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Interest rate risk

The Group's exposure to risk for changes in interest rates relates primarily to the Group's interest bearing bank borrowings and obligations under finance leases. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 March 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group regularly reviews the recoverable amount of each individual trade receivables at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

Liquidity risk

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

6. Turnover

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers, less returns and allowances and provision of electroplating services. Turnover recognised during the year are as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Turnover		
Sales of goods	205,920	226,884
Provision of electroplating services	15,215	11,416
	221,135	238,300

7. SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provided. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

7. **SEGMENT INFORMATION** *(Continued)*

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

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

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

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

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

(a) Business segments

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

	Clocks and other office related products		Lighting products		Trading		Electroplating services		Total	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
										(Restated)
SEGMENT TURNOVER:										
Sales to external customers	155,853	158,369	20,488	26,868	29,579	41,647	15,215	11,416	221,135	238,300
SEGMENT RESULTS	(20,072)	2,233	(2,391)	2,035	363	1,772	3,463	1,170	(18,637)	7,210
Interest income									98	442
Net unallocated expenses									(8,391)	(7,243)
Finance costs									(2,893)	(3,185)
Gain on disposal of subsidiaries									—	1,693
Share of results of associates									—	765
Impairment loss recognised in respect of interests in associates									(23,768)	—
Impairment loss recognised in respect of goodwill									(17,004)	—
Loss before tax									(70,595)	(318)
Income tax expenses									(1,516)	(1,755)
Loss for the year									(72,111)	(2,073)

7. **SEGMENT INFORMATION** *(Continued)*

(a) **Business segments** *(Continued)*

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

	Clocks and other office related products		Lighting products		Trading		Electroplating services		Total	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Restated)
Segment assets	144,396	155,834	12,426	4,750	33,024	52,329	14,881	13,996	204,727	226,909
Interests in associates									6,000	18,316
Unallocated assets									18,902	36,445
Total assets									229,629	281,670
Segment liabilities	54,726	35,218	11,899	8,824	7	—	2,021	1,545	68,653	45,587
Unallocated liabilities									21,135	40,533
Total liabilities									89,788	86,120
Other segment information:										
Capital expenditure	2,138	6,444	144	21	251	—	—	229	2,533	6,694
Unallocated capital expenditure									400	68
Depreciation and amortisation	5,189	7,454	538	75	935	997	—	978	6,662	9,504
Unallocated depreciation and amortisation									948	1,481
Unallocated impairment losses recognised in the income statement									41,343	—
(Gain) loss on disposal of property, plant and equipment	(20)	23	20	—	—	—	—	—	—	23
Unallocated (gain) loss on disposal of property, plant and equipment									(19)	521

7. SEGMENT INFORMATION *(Continued)*

(b) Geographical segments

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

	North America		Europe		Hong Kong		People's Republic of China (the "PRC")		Others		Total	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment turnover:												
Sales to external customers	84,124	81,344	73,651	83,364	11,476	15,779	47,874	44,209	4,010	13,604	221,135	238,300
Other segment information:												
Segment assets	506	637	10,740	19,930	81,091	51,367	127,535	209,736	9,757	—	229,629	281,670
Capital expenditure	—	—	60	80	17	413	2,456	6,269	400	—	2,933	6,762

8. FINANCE COSTS

	2006	**2005**
	HK$'000	*HK$'000*
Interest expenses on:		
— bank and other borrowings wholly repayable withinfive years	2,845	3,123
— obligations under finance leases	48	62
	2,893	3,185

9. LOSS BEFORE TAX

	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Loss before tax has been arrived at after charging (crediting):		
Cost of inventories sold	177,730	173,506
Cost of services provided	14,579	8,362
Staff costs (excluding directors' remuneration (note 13)):		
Basic salaries and allowances	41,817	43,131
Retirement benefits scheme contributions	1,756	296
	43,573	43,427
Depreciation of property, plant and equipment	7,091	9,754
Depreciation of investment properties	272	—
Write off of bad and doubtful debts	1,796	—
Amortisation of intangible assets (included in administrative expenses)	27	27
Amortisation of goodwill (included in other operating expenses)	—	996
Amortisation of prepaid lease payments on land use rights (included in administrative expenses)	220	208
Auditors' remuneration	380	400
Research and development expenditure	267	290
Operating leases charges on rented premises	2,117	1,480
(Gain) loss on disposal of property, plant and equipment	(19)	544
Impairment loss on investment properties	571	—
Unrealised holding loss on other investments	—	103
Write down for inventories	8,399	—
Gain arising from change in fair value of financial assets	(32)	—
Net loss (gain) on foreign exchange	1,013	(966)
Gross rental income from investment properties	(353)	(517)
Less: direct operating expenses that generated rental income	166	109
Net rental income from investment properties	(187)	(408)
Interest income	(98)	(442)
Write back of allowance for bad and doubtful debts	(201)	(326)

10. INCOME TAX EXPENSES

	2006	2005
	HK$'000	*HK$'000*
The charge comprises:		
Hong Kong Profits Tax		
— current year	275	401
— Under (over) provision in prior years	996	(226)
Tax in other jurisdictions current year	245	574
— under-provision in prior years	—	162
	1,516	911
Deferred taxation *(Note 28)*	—	844
	1,516	1,755

Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profits for the year.

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

Pursuant to the laws and regulations in the PRC, certain Group's PRC subsidiaries are 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.

Subsequent to the balance sheet date, Hong Kong Inland Revenue Department (the "IRD") issued the protective profits tax assessments (the "Protective Assessments") of approximately HK$1,000,000 relating to years of assessment from 2000/01 to 2003/04 that were raised to a whollyowned subsidiary of the Company. The Group lodged objection with the IRD against the Protective Assessments on 30 June 2006. The amounts had been provided in the consolidated financial statements.

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

	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Loss before tax	(70,595)	(318)
Tax at domestic income tax rate of 17.5% (2005: 17.5%)	(12,354)	(56)
Tax effect of expenses not deductible for tax purposes	14,271	718
Tax effect of income not taxable for tax purpose	(540)	(1,249)
Utilisation of tax losses previously not recognised	(421)	(323)
Tax effect of tax losses not recongised	537	2,651
Under(over) provision in prior years	996	(64)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(973)	78
Tax expenses for the year	1,516	1,755

11. DIVIDEND

No dividend was paid or proposed during the two years ended 31 March 2006 and 2005 since the balance sheet date.

12. LOSS PER SHARE — BASIC

The calculations of basic loss per share are based on the Group's loss attributable to the equity holders of the Company of HK$72,149,000 (2005: HK$2,414,000).

The basic loss per share is based on the weighted average number of 262,478,584 (2005: 261,276,442) ordinary shares in issue during the year.

No diluted loss per share has been presented for the two years ended 31 March 2006 and 2005 as the outstanding during both years had an anti-dilutive effect on the basic loss per share for both years.

13. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the 10 (2005: 10) directors were as follows:

For the year ended 31 March 2006

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

13. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

For the year ended 31 March 2005

		Other emoluments		
	Fees	**Salaries, allowances and other benefits**	**Retirement benefits scheme contributions**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:				
Liang Jin You	—	1,320	12	1,332
Li Kwo Yuk	—	360	12	372
Leung Kin Yau	—	240	12	252
Ou Jian Sheng	—	567	1	568
Deng Ju Neng	—	120	—	120
Lin Dong Hong	—	330	—	330
Independent non-executive directors:				
Lo Ming Chi, Charles	50	—	—	50
Lo Wah Wai[1]	120	—	—	120
Orr, Joseph Wai Shing[2]	25	—	—	25
Cheung Doi Shu[3]	25	—	—	25
	220	2,937	37	3,194

[1] Re-designated from non-executive director to independent non-executive director on 30 September 2004

[2] Appointed on 30 September 2004

[3] Resigned on 30 September 2004

No director waived any emoluments in any of the years ended 31 March 2006 and 2005.

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

(b) Senior management's emoluments

Of the five individuals with the highest emoluments in the Group, two (2005: two) were executive directors of the Company whose emoluments are set out above. The emoluments of the remaining three (2005: three) highest paid individuals were as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Salaries, allowances and other benefits	1,845	1,982
Retirement benefits scheme contributions	180	243
	2,025	2,225

13. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

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

The emoluments of the three (2005: three) highest paid employees fall in the following bands:

Number of individuals

	2006	**2005**
Emoluments bands		
Nil — HK$1,000,000	2	2
HK$1,000,000 to HK$1,500,000	1	1
	3	3

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

14. INVESTMENT PROPERTIES

(a)

	HK$'000
At 1 April 2004 — open market value	8,000
Disposal of a subsidiary	(8,000)
At 31 March 2005 — open market value	—
Transfer from property, plant and equipment *(Note 15)*	7,269
At 31 March 2006	7,269
DEPRECIATION AND IMPAIRMENT	
At 1 April 2005	—
Provided for the year	272
Impairment loss recognised in profit or loss	571
At 31 March 2006	843
CARRYING AMOUNTS	
At 31 March 2006	6,426
At 31 March 2005 — open market value	—

(b) The Group has applied the relevant transitional provisions in HKAS 40 and resolved to deem the carrying amount of the investment properties immediately before 1 April 2005 as cost. Depreciation commences on 1 April 2005.

14. INVESTMENT PROPERTIES *(Continued)*

(c) In the opinion of the directors of the Company, the fair value of the Group's investment properties at 31 March 2006 is approximately HK$6,426,000. The fair value was determined by reference to recent market prices for similar properties.

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

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

	2006	**2005**
	HK$'000	*HK$'000*
Hong Kong	4,206	—
Outside Hong Kong	2,220	—
	6,426	—

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	**Leasehold improvements**	**Construction in progress**	**Plant and Machinery**	**Furniture, equipment and motor vehicles**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST OR VALUATION						
At 1 April 2004						
— as originally stated	112,045	4,872	3,062	52,146	48,142	220,267
Reclassified to prepaid lease payments on land use rights	(19,487)	—	—	—	—	(19,487)
At 1 April 2004 as restated	92,558	4,872	3,062	52,146	48,142	200,780
Exchange realignment	—	—	—	49	25	74
Additions	3,564	—	562	585	2,051	6,762
Transfer	2,439	549	(3,614)	—	626	—
Disposals	(2,266)	—	—	(2,038)	(374)	(4,678)
Disposal of subsidiaries	(14,477)	(2,901)	—	—	(303)	(17,681)
At 31 March 2005	81,818	2,520	10	50,742	50,167	185,257
Exchange realignment	1,236	16	—	460	363	2,075
Additions	—	—	649	935	1,349	2,933
Transfer	—	—	(282)	—	282	—
Transfer to investment properties	(9,255)	—	—	—	—	(9,255)
Disposals	—	—	—	(345)	(683)	(1,028)
At 31 March 2006	73,799	2,536	377	51,792	51,478	179,982
Comprising:						
At cost	48,725	2,536	377	51,792	51,478	154,908
At valuation — 1995	25,074	—	—	—	—	25,074
	73,799	2,536	377	51,792	51,478	179,982

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Leasehold land and buildings *HK$'000*	Leasehold improvements *HK$'000*	Construction in progress *HK$'000*	Plant and Machinery *HK$'000*	Furniture, equipment and motor vehicles *HK$'000*	Total *HK$'000*
ACCUMULATED DEPRECIATION AND AMORTISATION						
At 1 April 2004						
— as originally restated	30,630	1,485	—	45,937	41,409	119,461
Reclassified to prepaid lease payments on land use rights	(4,072)	—	—	—	—	(4,072)
At 1 April 2004 as Restated	26,558	1,485	—	45,937	41,409	115,389
Exchange realignment	—	—	—	35	16	51
Provided for the year	3,658	413	—	2,446	3,237	9,754
Disposals	(975)	—	—	(2,038)	(308)	(3,321)
Disposal of subsidiaries	(2,598)	(914)	—	—	(98)	(3,610)
At 31 March 2005	26,643	984	—	46,380	44,256	118,263
Exchange realignment	428	—	—	432	254	1,114
Charge for the year	2,794	273	—	1,413	2,611	7,091
Transfer to investment properties	(1,986)	—	—	—	—	(1,986)
Eliminated on disposals	—	—	—	(336)	(663)	(999)
At 31 March 2006	27,879	1,257	—	47,889	46,458	123,483
CARRYING VALUES						
At 31 March 2006	45,920	1,279	377	3,903	5,020	56,499
At 31 March 2005	55,175	1,536	10	4,362	5,911	66,994

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

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

15. **PROPERTY, PLANT AND EQUIPMENT** *(Continued)*

Notes:

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

	2006	**2005**
	HK$'000	*HK$'000*
		(Restated)
Long-term leasehold land and buildings in:		
Outside Hong Kong	12,564	12,956
Medium-term leasehold land and buildings in:		
Hong Kong	15,621	20,747
Outside Hong Kong	15,090	18,553
	30,711	39,300
Short-term leasehold land and buildings in:		
Outside Hong Kong	2,645	2,919

The valuation of the leasehold land and buildings was carried out by Knight, Frank & Kan, an independent firm of professionally property valuers, on an open market, existing use basis as at 31 January 1995. No further valuation will be carried out on these land and buildings. Had the revalued assets been valued at their cost less accumulated depreciation and impairment losses, the total carrying amount of land and buildings as at 31 March 2006 would be restated at approximately HK$6,653,000 (2005: HK$6,955,000).

The carrying amount of assets held under finance leases included in the total amount of plant and machinery and motor vehicles of the Group as at 31 March 2006 amounted to HK$901,000 (2005: HK$621,000).

16. **PREPAID LEASE PAYMENTS ON LAND USE RIGHTS**

	2006	**2005**
	HK$'000	*HK$'000*
The Group's prepaid lease payments on land use rights comprise:		
Leasehold land in the PRC:		
Short-term lease	1,339	1,277
Medium-term lease	2,649	2,610
Long lease	5,240	5,195
	9,228	9,082
Analysed for reporting purposes as:		
Non-current asset	9,008	8,874
Current asset	220	208
	9,228	9,082

17. **INTANGIBLE ASSETS**

	Patents and trademarks *HK$'000*
COST	
At 1 April 2004 and 31 March 2005	1,771
Exchange realignment	(37)
At 31 March 2006	1,734
ACCUMULATED AMORTISATION	
At 1 April 2004	1,705
Charge for the year	27
At 31 March 2005	1,732
Exchange realignment	(25)
Charge for the year	27
At 31 March 2006	1,734
CARRYING VALUES	
At 31 March 2006	—
At 31 March 2005	39

Patents and trademarks have definite useful lives and amortised on a straight-line basis over five years.

The directors have reviewed the carrying values of the Group's intangible assets as at the balance sheet date. The carrying value was estimated to be its fair value.

18. GOODWILL

	HK$'000
COST	
At 1 April 2004, 31 March 2005 and 1 April 2005	19,993
Elimination of accumulated amortisation upon the application of HKFRS 3 (see Note 2)	(2,989)
At 31 March 2006	17,004
ACCUMULATED AMORTISATION	
At 1 April 2004	1,993
Charge for the year	996
At 1 April 2005	2,989
Elimination of accumulated amortisation upon the application of HKFRS 3 (see Note 2)	(2,989)
At 31 March 2006	—
IMPAIRMENT	
At 1 April 2004 and 1 April 2005	—
Impairment loss recognised for the year	17,004
At 31 March 2006	17,004
CARRYING VALUES	
At 31 March 2006	—
At 31 March 2005	17,004

Until 31 March 2005, goodwill had been amortised over its estimated useful life, generally not exceeding twenty years.

During the year ended 31 March 2006, the Group fully impaired the goodwill as the directors of the Company are of the opinion that business prospect of this subsidiary is unfavourable and the recoverable amount of the cash generating unit cannot support the amount of goodwill.

19. INTERESTS IN ASSOCIATES

	2006 *HK$'000*	**2005** *HK$'000*
Cost of investment in unlisted associates	29,605	29,605
Share of post-acquisition profits and exchange realignment *(Note a)*	163	163
Negative goodwill *(Note b)*	—	(11,452)
Impairment loss recognised *(Note c)*	(23,768)	—
	6,000	18,316
Amounts due from associates, less allowance	—	210

The amounts due from associates were unsecured, interest free and fully settled during the year.

19. INTERESTS IN ASSOCIATES *(Continued)*

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

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

Notes:

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

	2006 *HK$'000*	**2005** *HK$'000*
Total assets	40,930	80,843
Total liabilities	(11,634)	(20,092)
Net assets	29,296	60,751
Group's share of net assets of associates *(Note)*	29,768	29,768
Revenue	9,465	23,944
(Loss) profit for the year	(31,455)	333
Group's share of results of associates for the year *(Note)*	—	163

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

(b) Included in the interests in associates is negative goodwill with carrying amount of HK$11,452,000 as at 31 March 2005 (1 April 2004: HK$12,054,000) was presented as a deduction from the cost of investments in associates. In prior years, negative goodwill was released to income on a straightline basis of twenty years, representing the remaining weighted average useful life of depreciable assets acquired. The amount of negative goodwill released to the income statement for the year ended 31 March 2005 was HK$602,000. All negative goodwill was derecognised on 1 April 2005 upon the application of HKFRS 3 (see Note 2).

19. INTERESTS IN ASSOCIATES *(Continued)*

Notes: (Continued)

(c) The directors of the Company reviewed the carrying value of its interests in associates with reference to the expected proceeds on the disposal as disclosed in the Note 36a. Impairment loss of HK$23,768,000 (2005: Nil) was recognised in the consolidated income statement.

20. INVENTORIES

	2006	**2005**
	HK$'000	*HK$'000*
Raw materials	32,478	35,992
Work in progress	35,032	42,575
Finished goods	11,608	17,067
	79,118	95,634

At 31 March 2006, all the inventories were carried at cost.

21. TRADE AND BILLS RECEIVABLES

	2006	**2005**
	HK$'000	*HK$'000*
		(Restated)
Trade and bills receivables *(Note)*	60,089	61,565
Less: Allowance for bad and doubtful debts	(4,452)	(4,661)
	55,637	56,904

Note:

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

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

	2006	**2005**
	HK$'000	*HK$'000*
		(Restated)
Within 90 days	24,214	28,231
91 — 365 days	29,166	28,236
Over 1 year	2,257	437
	55,637	56,904

The fair value of the Group's trade and bills receivables at 31 March 2006 was approximated to the corresponding carrying amount.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Included in prepayments, deposits and other receivables as at 31 March 2005 was amount due from a related company. Information disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance are as follow:

Name	**Name of directors having beneficial interest**	**Balance at 31 March 2006**	**Balance at 31 March 2005**	**Maximum amount outstanding during the year**
		HK$'000	*HK$'000*	*HK$'000*
Smart Best Development Limited ("Smart Best")	Ms. Li Kwo Yuk	—	1,460	1,460

The amount was unsecured, non-interest bearing and fully settled during the year.

The fair value of the Group's prepayments, deposits and other receivables at 31 March 2006 was approximated to the corresponding carrying amount.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss as at 31 March 2006 comprise:

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

24. OTHER INVESTMENTS

Other investment as at 31 March 2005 are set out below. Upon the application of HKAS 39 on 1 April 2005, other investment were reclassified to financial assets at fair value through profit or loss under HKAS 39 (see Note 2 for details).

	2005
	HK$'000
Unlisted investments in guaranteed funds, at market value	2,311

25. TRADE PAYABLES/OTHER PAYABLES AND ACCRUALS

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

	2006	**2005**
	HK$'000	*HK$'000*
Within 90 days	19,941	20,620
91 — 365 days	7,220	8,371
Over 1 year	1,392	2,436
	28,553	31,427

25. TRADE PAYABLES/OTHER PAYABLES AND ACCRUALS *(Continued)*

The fair value of the Group's trade payables, other payables and accruals at 31 March 2006 was approximated to the corresponding carrying amount.

26. OBLIGATIONS UNDER FINANCE LEASES

The lease term is ranging from 3 to 5 years. For the year ended 31 March 2006, the average effective borrowing rate was 5.7% (2005: 7.1%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

	Minimum lease payments		Present value of minimum lease payments	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts payable under finance leases				
Within one year	648	636	598	606
More than one year but not more than two years	433	239	405	229
More than two years but not more than three year	168	147	160	134
More than three years but not more than four years	23	—	21	—
	1,272	1,022	1,184	969
Less: Future finance charges	(88)	(53)	N/A	N/A
Present value of lease obligations	1,184	969	1,184	969
Less: Amount due within one year shown under current liabilities			(598)	(606)
Amount due after one year			586	363

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

Finance leases are denominated in Hong Kong dollars.

The directors of the Company consider that the carrying amount of the obligations under finance leases approximates their fair value.

27. BANK AND OTHER BORROWINGS

	2006	2005
	HK$'000	*HK$'000*
Bank loans	17,642	19,942
Trust receipt loans	2,766	4,633
Other loans	567	259
Bank overdrafts	11,416	10,596
	32,391	35,430
Analysed as:		
Secured	24,314	31,164
Unsecured	8,077	4,266
	32,391	35,430

The above amounts bear interest at prevailing market rates and are repayable as follow:

	2006	2005
	HK$'000	*HK$'000*
On demand or within one year	32,391	29,318
More than one year but not exceeding two years	—	6,112
	32,391	35,430
Less: Amounts due within one year shown under current liabilities	(32,391)	(29,318)
Amount due after one year	—	6,112

At 31 March 2006, bank borrowings of HK$15,587,000 and HK$16,237,000 are fixed rate borrowings and floating rate borrowings, respectively. The fixed rate bank borrowings carry interest ranging from 4.75% to 7.71% per annum and the floating rate borrowings carry interest at Hong Kong Interbank Offered Rate plus 0.25%, London Inter-Bank Offered Rate plus 2.5% and Best Lending Rate plus 0.25% to 1.5%.

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

	RMB	United States Dollars	GBP
	'000	*'000*	*'000*
As at 31 March 2006	15,729	328	265
As at 31 March 2005	17,479	135	272

During the year, the Group obtained new bank and other borrowings in the amount of approximately HK$13,278,000. The loans drawn during the year bear interest at market rates and will be repayable varying from 2006 to 2007.

27. BANK AND OTHER BORROWINGS *(Continued)*

The directors of the Company consider that the carrying amount of bank borrowings approximates their fair value.

The other borrowings are unsecured, bear interest at 4.75% to 9.75% per annum and with fixed repayment term.

28. DEFERRED TAX

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

	Accelerated tax depreciation	Revaluation of properties	Tax losses	Unrealised losses on inventories	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2004	(466)	2,383	(776)	3,015	4,156
(Credit) charge to income for the year	(190)	—	689	345	844
Credit to equity for the year	—	(203)	—	—	(203)
Released on disposal of subsidiaries	(110)	—	—	—	(110)
At 1 April 2005, as originally stated	(766)	2,180	(87)	3,360	4,687
Effect of changes in accounting policies (Note 2A)	—	(316)	—	—	(316)
At 1 April 2005, as restated and 31 March 2006	(766)	1,864	(87)	3,360	4,371

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

	2006	2005
	HK$'000	*HK$'000*
Deferred tax liabilities	4,506	4,822
Deferred tax assets	(135)	(135)
	4,371	4,687

At 31 March 2006, the Group has unused tax losses of HK$13,679,000 (2005: HK$22,115,000) available for offset against future profits. For the year ended 31 March 2005, a deferred tax asset had been recognised in respect of HK$497,000 (2006: Nil) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$13,679,000 (2005: HK$21,618,000) due to the unpredictability of future profits streams. The unrecognised tax losses will expire in five year's time.

29. SHARE CAPITAL AND SHARE OPTIONS

Share capital

	Number of ordinary shares of HK$0.10 each		Amount	
	2006	**2005**	**2006**	**2005**
			HK$'000	*HK$'000*
Authorised:				
Balance at beginning of year and at 31 March	900,000,000	900,000,000	90,000	90,000
Issued and fully paid:				
Balance at beginning of year	262,478,584	240,539,500	26,248	24,054
Issued of shares for settlement of consideration in respect of acquisition of associates *(Note)*	—	21,939,084	—	2,194
Balance at end of year	262,478,584	262,478,584	26,248	26,248

Note:

During the year ended 31 March 2005, the Company allotted 21,939,084 ordinary shares at the price of HK$0.8 per share as consideration for the acquisition of Success Start. All the shares issued rank pari passu with the then existing shares in all aspects.

Share options

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

Under the Old Scheme, the maximum number of unexercised share options permitted to be granted is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant 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 Old 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 for the five trading days immediately preceding the date of the grant of the share options.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

29. SHARE CAPITAL AND SHARE OPTIONS *(Continued)*

Share options *(Continued)*

The following options to subscribe for shares were outstanding under the Old Scheme:

Name or category of participant	As at 1 April 2004	Lapsed during the year	As at 31 March 2005	Date of grant of share options	Exercise period of share options	Exercise 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.

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

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

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

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

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

29. SHARE CAPITAL AND SHARE OPTIONS *(Continued)*

Share options *(Continued)*

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

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

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

30. DISPOSAL OF SUBSIDIARIES

For the year ended 31 March 2005, the Group disposed of its entire interests in Smart Best and German Time Limited ("German Time"). The net assets of these subsidiaries at the date of disposal were as follows:

	2005
	HK$'000
Net assets disposal of:	
Investment properties	8,000
Property, plant and equipment	14,071
Trade receivables	66
Prepayments, deposits and other receivables	8
Bank balances and cash	18
Amount due to an intermediate holding company	(4)
Amount due to an immediate holding company	(890)
Amount due to a fellow subsidiary	(844)
Other payables and accruals	(108)
Tax payable	13
Deferred tax liabilities	(110)
	20,220
Capital reserve released	87
Gain on disposal	1,693
Total consideration	22,000
Satisfied by:	
Cash	22,000
Net cash inflow arising on disposal:	
Cash consideration	22,000
Bank balances and cash disposed of	(18)
	21,982

The subsidiaries disposed during the year ended 31 March 2005 had no significant impact on the turnover and results of the Group.

31. MAJOR NON-CASH TRANSACTIONS

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

(ii) During the year ended 31 March 2005, the Group alloted 21,934,084 ordinary shares of HK$0.1 each at the base price of HK$0.8 per share as consideration for the acquisition of Success Start.

32. RELATED PARTY TRANSACTIONS

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

	2006	**2005**
	HK$'000	*HK$'000*
Smart Best		
Accounting fee received	—	40
Interest income received	—	187
Management fee received	—	40
German Time *(Note)*		
Interest income received	—	165
Management fee paid	—	560
Rental expense paid	840	—
Ms. Li Kwo Yuk		
Disposal of subsidiaries	—	22,000

Note:

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

(ii) Compensation of key management personnel

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

	2006	**2005**
	HK$'000	*HK$'000*
Short-term benefits	4,610	5,764
Post-employment benefits	86	266
	4,696	6,030

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

33. OPERATING LEASE ARRANGEMENTS

(a) The Group as lessee

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

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

	2006	**2005**
	HK$'000	*HK$'000*
Within one year	781	1,462
In the second to fifth years, inclusive	1,690	2,207
	2,471	3,669

(b) The Group as lessor

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

	2006	**2005**
	HK$'000	*HK$'000*
Within one year	470	280
In the second to fifth years inclusive	124	—
	594	280

At 31 March 2006, all of the properties held have committed tenants for the next one to three years. The properties are expected to generate rental yields of 5.5% on an ongoing basis.

34. PLEDGE OF ASSETS

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

	2006	**2005**
	HK$'000	*HK$'000*
Investment properties	6,426	—
Land and buildings	36,811	45,366
Prepaid lease payments on land use rights	5,241	5,195
Financial assets at fair value through profit or loss	2,343	—
Other investments	—	2,311
	50,821	52,872

35. RETIREMENT BENEFIT SCHEME

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

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

The total cost charged to the consolidated income statement of approximately HK$1,794,000 (2005: HK$333,000) represents contributions payable to the schemes by the Group in respect of the current financial year.

36. POST BALANCE SHEET EVENTS

(a) On 22 February 2006, a wholly-owned subsidiary of the Company, Easy Link Assets Limited ("Easy Link"), entered into a sale and purchase agreement with independent third parties for the disposal of its 49% equity interests in associates, Success Start for a consideration of HK$6,000,000. The transaction will be completed in August 2006.

(b) On 18 March 2006, Easy Link entered into a sale and purchase agreement with independent third parties for the acquisition of the entire issued share capital ("Sale Shares") of Matrix Software Inc. for a total consideration of HK$50,400,000. The Consideration for the Sale Shares shall be satisfied by allotting and issuing of 42,000,000 new shares ("Consideration Shares") at an issue price of HK$1.2 per Consideration Share, credited as fully paid. The transaction was completed on 4 April 2006.

(c) On 12 June 2006, a wholly-owned subsidiary of the Company, Artfield Company Limited entered into a sale and purchase agreement with independent third parties in relation to the disposal of the entire issued share capital of City Bright International Limited and its wholly owned subsidiary City Bright Lighting (Shenzhen) Co. Ltd. for a consideration of approximately HK$3,874,000. The transaction was completed on 23 June 2006.

37. BALANCE SHEET OF THE COMPANY

	NOTES	**2006** *HK$'000*	**2005** *HK$'000*
Non-current asset			
Interests in subsidiaries		35,230	78,495
Current assets			
Amounts due from subsidiaries	*(a)*	98,679	97,624
Prepayments, deposits and other receivables		149	376
Tax recoverable		25	—
Bank balances and cash		69	108
		98,922	98,108
Current liabilities			
Other payables and accruals		1,132	521
Amount due to a subsidiary	*(a)*	181	—
		1,313	521
Net current assets		97,609	97,587
Total assets less current liabilities		132,839	176,082
Capital and reserves			
Share capital		26,248	26,248
Reserves	*(b)*	106,591	149,834
		132,839	176,082

(a) Amounts due from (to) subsidiaries

The amounts are unsecured, interest free and repayable on demand. The fair value of the amounts as at 31 March 2006 approximated the carrying amount.

(b) Reserves

	Share premium *HK$'000*	**Contributed Surplus** *HK$'000*	**Retained deficit** *HK$'000*	**Total** *HK$'000*
At 1 April 2004	25,123	128,013	(18,646)	134,490
Shares allotted for settlement of consideration in respect of acquisition of an associate	15,358	—	—	15,358
Loss for the year	—	—	(14)	(14)
At 31 March 2005	40,481	128,013	(18,660)	149,834
Loss for the year	—	—	(43,243)	(43,243)
At 31 March 2006	40,481	128,013	(61,903)	106,591

37. BALANCE SHEET OF THE COMPANY *(Continued)*

(b) Reserves *(Continued)*

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.

38. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries held by the Company as at 31 March 2006 are as follows:

Name	Class of shares held	Place of incorporation/ registration and operations	Nominal value of issued share/ registered capital	Percentage of equity attributable to the Group	Principal activities
Directly held:					
Artfield Company Limited	Ordinary	BVI	US$50,010	100	Investment holding
Indirectly held:					
Artfield Manufacturing Company Limited	Ordinary	Hong Kong	HK$1,000	100	Manufacture and marketing of clocks
	Non-voting deferred shares		HK$2,000,000#		
Artfield Industries (Shenzhen) Limited ("AIS")	Contributed capital	PRC	RMB46,000,000	100	Manufacture of clocks
Ultra Good Electroplating Limited	Ordinary	Hong Kong	HK$4,000,000	79.75	Provision of electroplating services
Ultra Good Electroplating Surface Finishing (Shenzhen) Co., Ltd. ("UG(SZ)")	Contributed capital	PRC	US$600,000	79.75	Provision of electroplating services
Dixon Design Limited	Ordinary	BVI	US$10,000	100	Ownership of patents and trademarks
Wehrle Uhrenfabrik GmbH	Ordinary	Germany	EUR255,646	100	Marketing of clocks
Precision Group Limited	Ordinary	BVI	US$437,000	100	Investment holding
City Bright International Limited	Ordinary	Hong Kong	HK$2,000,000	100	Investment holding
Everbright Lighting Limited products	Ordinary	Hong Kong	HK$1,000,000	100	Trading of lighting
Everbright Lighting (Hong Kong) Limited	Ordinary	Hong Kong	HK$2	100	Trading of lighting products

38. PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Class of shares held	Place of incorporation/ registration and operations	Nominal value of issued share/ registered capital	Percentage of equity attributable to the Group	Principal activities
City Bright Lighting (Shenzhen) Co., Ltd. ("CBL(SZ)")	Contributed Capital	PRC	HK$3,000,000	100	Manufacture of lighting products
Artfield Industries (Gaoming) Limited ("AIG")	Contributed capital	PRC	HK$8,000,000	100	Manufacture of wooden products
高明豐雅鐘錶有限公司	0Contributed Capital	PRC	HK$2,500,000	100	Manufacture and marketing of clocks
East Champion	Ordinary	Hong Kong	HK$1,200	100	Property holding International Limited
Right Time Group, Inc.	Ordinary	United States	US$10,000	100	Marketing of clocks of America
Royal Success	Ordinary	Hong Kong	HK$4	100	Investment holding Enterprises Limited
Ferdinand International	Ordinary	United Kingdom	GBP100,000	100	Marketing of clocks (Marketing) Limited
Lens Trading Inc. ("Lens")	Ordinary	BVI	US$1	100	Trading of metals
Artfield Trading (Hong Kong) Limited	Ordinary	Hong Kong	HK$10,000	100	Trading of metals
德力時鐘(深圳 有限公司(「德力」)	Contributed Capital	PRC	HK$3,000,000	100	Manufacture of clocks

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

AIS, UG(SZ), CBL(SZ), AIG, 高明豐雅 and 德力are wholly foreign-owned enterprises established in the PRC.

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

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

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.

3. INTERIM RESULTS

The following interim result has been extracted from Interim Report 2006 of the Group.

Condensed consolidated income statement

		Six months ended 30 September	
		2006	**2005**
		(Unaudited)	**(Unaudited)**
	Notes	*HK$'000*	*HK$'000*
Turnover	*4*	89,348	124,526
Cost of goods sold and services provided		(80,001)	(93,796)
Gross profit		9,347	30,730
Other operating income		1,234	1,785
Selling and distribution expenses		(5,029)	(6,850)
Administrative expenses		(20,582)	(23,115)
Other operating expenses		—	(317)
Finance costs	5	(1,014)	(1,180)
Gain on disposal of subsidiaries		4,558	—
(LOSS)/PROFIT BEFORE TAX	*6*	(11,486)	1,053
Income tax expenses	*7*	(1)	(54)
NET (LOSS)/PROFIT FOR THE PERIOD		(11,487)	999
Attributable to:			
Equity holders of the Company		(11,982)	664
Minority interests		495	335
		(11,487)	999
(LOSS)/EARNINGS PER SHARE	*8*		
Basic *(HK cent)*		(3.95)	0.25
Diluted *(HK cent)*		N/A	N/A

Neither extraordinary nor exceptional items existed for the six months ended 30 September 2006.

No dividend was paid or declared by the Company for the six months ended 30 September 2006.

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at 30 September 2006 (Unaudited) HK$'000	As at 31 March 2006 (Audited) HK$'000
Non-current assets			
Investment properties		4,884	6,426
Property, plant and equipment		54,585	56,499
Prepaid lease payments on land use rights		9,048	9,008
Intangible assets		46,440	—
Goodwill		3,963	—
Interests in associates		—	6,000
Deferred tax assets		135	135
		119,055	78,068
Current assets			
Inventories		73,388	79,118
Trade and bills receivables	*10*	55,207	55,637
Prepayments, deposits and other receivables		10,618	6,128
Prepaid lease payments on land use rights		220	220
Financial assets at fair value through profit or loss		2,343	2,343
Tax recoverable		372	86
Bank balances and cash		4,728	8,029
		146,876	151,561

	Notes	As at 30 September 2006 (Unaudited) HK$'000	As at 31 March 2006 (Audited) HK$'000
Current liabilities			
Trade payables	*11*	24,976	28,553
Other payables and accruals		19,244	21,877
Tax payable		1,190	1,277
Obligations under finance leases			
— due within one year		438	598
Bank and other borrowings			
— due within one year		40,092	32,391
		85,940	84,696
Net current assets		60,936	66,865
Total assets less current liabilities		179,991	144,933
Capital and reserves			
Share capital		30,448	26,248
Reserves		141,602	106,591
Equity attributable to equity holders of the Company		172,050	132,839
Minority interests		3,041	7,002
		175,091	139,841
Non-current liabilities			
Obligations under finance leases			
— due after one year		393	586
Deferred tax liabilities		4,507	4,506
		4,900	5,092
		179,991	144,933

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital *HK$'000*	Share premium *HK$'000*	Property revaluation reserve *HK$'000*	Capital reserve *HK$'000*	Reserve and enterprise expansion funds *HK$'000*	Exchange fluctuation reserve *HK$'000*	Retained earning/ (deficit) *HK$'000*	Total *HK$'000*	Minority interests *HK$'000*	Total *HK$'000*
At 1 April 2006	26,248	40,481	11,542	45,994	9,116	4,214	(4,756)	132,839	7,002	139,841
Issue of shares on acquisition of a subsidiary	4,200	46,200	—	—	—	—	—	50,400	—	50,400
Exchange differences arising on translation of overseas operations	—	—	—	—	—	793	—	793	—	793
(Loss)/profit for the period	—	—	—	—	—	—	(11,982)	(11,982)	495	(11,487)
Dividend payment	—	—	—	—	—	—	—	—	(4,456)	(4,456)
At 30 September 2006 (unaudited)	**30,448**	**86,681**	**11,542**	**45,994**	**9,116**	**5,007**	**(16,738)**	**172,050**	**3,041**	**175,091**
At 1 April 2005										
— As originally stated	26,248	40,481	21,754	42,603	9,116	(420)	54,673	194,455	6,964	201,419
Derecognition of revaluation reserve on land use rights	—	—	(8,732)	—	—	—	—	(8,732)	—	(8,732)
Reversal of accumulated depreciation on revaluation surplus on land use rights	—	—	—	—	—	—	2,785	2,785	—	2,785
— Release of negative goodwill previously recorded in interests in associates	—	—	—	—	—	—	11,452	11,452	—	11,452
— As restated	26,248	40,481	13,022	42,603	9,116	(420)	68,910	199,960	6,964	206,924
Exchange differences arising on translation of overseas operations	—	—	—	—	214	1,836	—	2,050	—	2,050
Net profit for the period	—	—	—	—	—	—	664	664	335	999
At 30 September 2005 (unaudited)	26,248	40,481	13,022	42,603	9,330	1,416	69,574	202,674	7,299	209,973

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 September	
	2006	**2005**
	(Unaudited)	**(Unaudited)**
	HK$'000	*HK$'000*
Net cash from operating activities	(19,271)	3,236
Net cash used in investing activities	8,622	(1,899)
Net cash used in financing activities	8,161	(1,519)
(Decrease)/Increase in cash and cash equivalents	(2,488)	(182)
Cash and cash equivalents at beginning of period	(3,387)	1,043
Cash and cash equivalents at end of period	(5,875)	861
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	4,728	8,766
Bank overdrafts	(10,603)	(7,905)
	(5,875)	861

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention except for certain financial instruments and leasehold land and buildings, which are measured at fair values.

The accounting polices used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2006 except that the Group has adopted, for the front time for the current period's financial statements, the new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), HKASs and Interpretations (hereinafter collectively referred to as "New HKFRS") issued by the HKICPA that are either effective for accounting periods beginning on or after 1 January 2006. The adoption of the new HKFRSs has no material impact on the accounting policies of the Group and the methods of computation in the Group's condensed interim financial statements.

3. POTENTIAL IMPACT ARISING ON THE NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE

The Group has not early applied the following New HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the application of these New HKFRSs will have no material impact on the financial statements of the Group.

HKAS 1 Amendment	Capital Disclosures[1]
HKFRS 7	Financial Instruments Disclosures[1]
HK(IFRIC) — INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[2]
HK(IFRIC) — INT 8	Scope of HKFRS 2[3]
HK(IFRIC) — INT 9	Reassessment of embedded derivatives[4]

1 Effective for accounting period beginning on or after 1 January 2007
2 Effective for accounting period beginning on or after 1 March 2006
3 Effective for accounting period beginning on or after 1 May 2006
4 Effective for accounting period beginning on or after 1 June 2006

4. TURNOVER AND SEGMENTAL 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 segment for the six months ended 30 September 2006 is as follows:

Business segments

	Clocks and other office related products		Lighting products		Trading		Electroplating services		(Unaudited) Total	
	Six months ended 30 September									
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment turnover:										
Sales to external customers	66,166	88,938	4,136	9,337	13,969	16,987	5,077	9,264	89,348	124,526
Segment results	(10,397)	4,436	(1,114)	(677)	(1,155)	227	1,219	1,868	(11,447)	5,854
Interest income									33	56
Net unallocated expenses									(3,616)	(3,677)
Finance costs									(1,014)	(1,180)
Gain on disposal of subsidiaries									4,558	—
(Loss)/profit before tax									(11,486)	1,053
Income tax expenses									(1)	(54)
Net (loss)/profit for the period									(11,487)	999

5. FINANCE COSTS

	Six months ended 30 September 2006 (Unaudited) *HK$'000*	2005 (Unaudited) *HK$'000*
Interest on:		
Bank loans and overdrafts	973	1,177
Finance leases	41	3
	1,014	1,180

6. (LOSS)/PROFIT BEFORE TAX

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

	Six months ended 30 September 2006 (Unaudited) *HK$'000*	2005 (Unaudited) *HK$'000*
Cost of inventories sold	77,047	89,955
Cost of services provided	2,954	3,841
Staff costs	21,783	22,534
Depreciation	4,360	4,451
Amortisation of prepaid lease payment on land use rights	66	109
Amortisation of intangible assets	120	14
Net rental income	(351)	(155)
Interest income	(33)	(56)

7. INCOME TAX EXPENSES

	Six months ended 30 September 2006 (Unaudited) *HK$'000*	2005 (Unaudited) *HK$'000*
Hong Kong Profits Tax	—	—
Tax in other jurisdictions	1	54
	1	54

Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profits arising in Hong Kong for the period.

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.

8. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the net loss for the period of HK$11,982,000 (2005: net profit for the period HK$664,000), and the weighted average number of 303,560,551 (2005: 262,478,584) ordinary shares in issue during the period.

No diluted loss per share has been presented for the period ended 30 September 2006 as the warrants and share options outstanding during the period had an anti-dilutive effect on the basic loss per share.

There were no dilutive potential ordinary shares in issue during the period ended 30 September 2005 and, accordingly, no diluted earning per share was presented.

9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK$884,000 on acquisition of property, plant and equipment.

10. TRADE AND BILLS RECEIVABLES

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

The ageing of the Group's trade and bills receivables, based on the date of goods delivered, is analysed as follows:

	As at 30 September 2006 (Unaudited) *HK$'000*	**As at 31 March 2006 (Audited)** *HK$'000*
Within 90 days	23,378	24,214
Between 91 days to 365 days	24,688	29,166
Over 1 year	7,141	2,257
	55,207	55,637

11. TRADE PAYABLES

The ageing of the Group's trade payables, based on the date of goods received, is analysed as follows:

	As at 30 September 2006 (Unaudited) *HK$'000*	**As at 31 March 2006 (Audited)** *HK$'000*
Within 90 days	17,618	19,941
Between 91 days to 365 days	6,181	7,220
Over 1 year	1,177	1,392
	24,976	28,553

4. INDEBTEDNESS

As at the close of business on 30 April 2007, being the latest practicable date for the purpose of this indebtedness statement, the Group had outstanding debts and finance lease obligations amounting to approximately HK$7.3 million of which, HK$0.8 million was secured trust receipt loans, HK$4.6 million was unsecured bank loans, HK$1 million was unsecured trust receipt loans, HK$0.5 million was unsecured bank overdrafts and HK$0.4 million was obligations under finance leases. As at 30 April 2007, certain of the Group's leasehold land and buildings and investment properties were pledged to secure general banking facilities with unaudited aggregate net carrying values of approximate HK$14 million. The Group did not have contingent liability and capital commitment as at 30 April 2007.

As at 30 April 2007, save as aforesaid and apart from intra-group liabilities and normal trade payables, none of the companies in the Group had any outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loan or indebtedness in the nature of borrowings, debt securities or other similar indebtedness, finance leases or hire purchase commitments, or any guarantees or other material contingent liabilities.

5. MATERIAL CHANGES

Save for the disposal of the subsidiaries of the Company as disclosed in the Company's announcement and circular dated 6 February 2007 and 14 March 2007 respectively, the Directors are not aware that there has been any material change in the financial or trading position or outlook of the Group since 31st March 2006, being the date to which the latest published audited consolidated financial statement of the Group were made up.

1. RESPONSIBILITY STATEMENTS

This Composite Offer Document includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Offer, the Group and Marigold.

The information contained in this Composite Offer Document (other than information on Marigold, Mr. Yam, or the terms and conditions of the Offer or future intentions of Marigold in respect of the Group, proposed Directors to be appointed upon close of the Offer) has been supplied by the Directors who jointly and severally accept full responsibility for the accuracy of such information contained in this Composite Offer Document. The Directors confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Offer Document have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Offer Document the omission of which would make any statement contained in this Composite Offer Document misleading. The issue of this Composite Offer Document has been approved by the Board.

The information contained in this Composite Offer Document relating to Marigold, Mr. Yam, the terms and conditions of the Offer and future intentions of Marigold in respect of the Group is supplied by Mr. Yam Tak Cheung, being the sole director of Marigold, who accepts full responsibility for the accuracy of such information contained in this Composite Offer Document and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this Composite Offer Document have been arrived at after due and careful consideration and there are no other facts relating to such information not contained in this Composite Offer Document the omission of which would make any statement relating to Marigold, the terms and conditions of the Offer and future intentions of Marigold in respect of the Group contained in this Composite Offer Document misleading.

2. SHARE CAPITAL OF THE COMPANY

Authorised and issued share capital

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

		HK$
Authorised:		
900,000,000	Shares	90,000,000
Issued and fully paid up:		
304,478,584	Shares	30,447,858.40

There has been no alteration in the number of Shares since 31 March 2007, which is the last financial year end date of the Company prior to the Latest Practicable Date.

All existing Shares rank equally in all respects, including in particular as to dividend, voting rights and capital. 42,000,000 Shares have been issued in connection with the acquisition of the entire issue share capital of Matrix Software Inc. (the details of which were contained in the Company's circular dated 12 April 2006) since the end of the last financial year of the Company ended 31 March 2006.

There are no outstanding warrants or options or derivatives or securities convertible into Shares as at the Latest Practicable Date.

3. DISCLOSURE OF INTERESTS

(a) Interests and short positions of the Directors in the Company and its associated corporations

As at the Latest Practicable Date, none of the Directors, chief executives of the Company or their associates had any interests or short positions in the shares, options, warrants, derivatives, securities convertible into shares of the Company or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange, or to be disclosed in this Composite Offer Document pursuant to the requirements of the Takeovers Code.

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of the SFO

As at the Latest Practicable Date, according to the register kept by the Company pursuant to Section 336 of SFO, and so far as is known to any Director or chief executive or the Company, the following persons had, or were deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, and there is no person, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Substantial shareholders of the Company:

Name of Shareholder	*Note*	**Nature of interest**	**Total**	**Approximate percentage of shareholdings** *(%)*
Mr. Yam	*1*	Interest held through controlled corporation	119,184,300 (L)	39.14
Marigold Worldwide Group Limited	*1*	Beneficial owner	119,184,300 (L)	39.14

(L) Long position

Note:

1. These 119,184,300 Shares are owned by Marigold Worldwide Group Limited, a company incorporated in the British Virgin Islands, which is wholly owned by Mr. Yam.

Save as disclosed in this section (b), the Directors and chief executive of the Company are not aware of any person who has an interest or short position in the Shares, or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

(c) Share Options of the Company

The Company adopted a share option scheme on 28 August 2003 (the "Scheme"), with expiry date on 27 August 2013, for the purpose of providing incentives to any eligible employee, any director of the Company or any of its subsidiaries or any invested entity, any supplier, any customer, and technical and legal professional advisers and any shareholder who has valuable contribution to the Group.

No share options have been granted under the Scheme since its adoption.

(d) Other interests in the Company

As at the Latest Practicable Date,

(i) save for (i) the Share Purchase; and (ii) the sale of 9,594,000 Shares in the price ranging from HK$1.38 to HK$1.40 by Mr. Yam on 23 March 2007, none of Marigold, Mr. Yam and parties acting in concert with any one of them has interest in the shares, options, warrants, derivatives or securities convertible into shares of the Company or had dealt in the shares, options, warrants, derivatives or securities convertible into shares of the Company for the period from the six months prior to the date of the Announcement up to the Latest Practicable Date;

(ii) no person had any arrangement of the kind referred to in note 8 to Rule 22 of the Takeovers Code with (i) the Company; (ii) any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code; (iii) Marigold or Mr. Yam; or (iv) any parties acting in concert with any of Marigold and Mr. Yam.

(iii) save for (i) the Share Purchase; and (ii) the sale of 9,594,000 Shares in the price ranging from HK$1.38 to HK$1.40 by Mr. Yam on 23 March 2007, none of Marigold, Mr. Yam or the respective associate or concert party of each of them or any person who was an associate of Marigold or with the Company or any person who was an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate as described by the Takeovers Code had dealt in the shares, options, warrants, derivatives or securities convertible into shares of the Company for the period from the six months prior to the date of the Announcement up to the Latest Practicable Date;

(iv) no benefit (other than statutory compensation) would be given to any Director as compensation for loss of office or otherwise in connection with the Offer;

(v) there was no agreement, arrangement or understanding (including any compensation arrangement) between Marigold, Mr. Yam or any person acting in concert with any of them and any director, recent directors, shareholders or recent shareholders of the Company having any connection with or dependent upon the Offer;

(vi) there was no agreement or arrangement to which any of Marigold and Mr. Yam, was a party which related to the circumstances in which it might or might not invoke or seek to invoke a condition to the Offer;

(vii) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code which existed between Marigold and Mr. Yam or any person acting in concert with any of them, and any other person;

(viii) no subsidiary of the Company nor pension fund of the Group nor adviser to the Company as specified in class (2) of the definition of "associate" (but excluding exempt principal traders) in the Takeovers Code owned or controlled any shares, options, warrants, derivatives or securities convertible into shares of the Company or had dealt for value in shares, options, warrants, derivatives or securities convertible into shares of the Company or other securities of the Company for the period from the six months prior to the date of Announcement up to the Latest Practicable Date;

(ix) no fund manager (other than exempt fund managers) connected with the Company had managed, controlled or owned any shares, options, warrants, derivatives or securities convertible into shares of the Company on a discretionary basis or had dealt in the shares, options, warrants, derivatives or securities convertible into shares of the Company for the period from the six months prior to the date of the Announcement up to the Latest Practicable Date;

(x) no directors of the Company intended, in respect of their own beneficial interest in the shares, options, warrants, derivatives or securities convertible into shares of the Company, to accept or reject the Offer;

(xi) there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer; and

(xii) there was no contract or arrangement entered into by Marigold and Mr. Yam existing as at the Latest Practicable Date in which a Director had a material personal interest.

(e) Interests in Marigold

Marigold is wholly and beneficially owned by Mr. Yam.

As at the Latest Practicable Date,

(i) neither the Company nor any Directors owned or controlled any shares, options, warrants, derivatives or securities convertible into shares of Marigold or had dealt in the shares, options, warrants, derivatives or securities convertible into shares of Marigold for the six-month period prior to the date of Announcement and up to the Latest Practicable Date; and

(ii) none of the Company, Kingston Securities, Kingston Corporate Finance and VXLFS had any interests in the shares, options, warrants, derivatives or securities convertible into shares of Marigold.

4. DEALING IN SECURITIES

(a) By Marigold, Mr. Yam and parties acting in concert with any one of them

The following table sets out the dealings in the shares, options, warrants, derivatives or securities convertible into shares of the Company by Marigold, Mr. Yam and parties acting in concert with any one of them during the six-month period prior to the date of the Announcement and up to the Latest Practicable Date:

Date	**Type of transaction**	**No. of Shares transacted**	**Price per share approximately** *(HK$)*
23 March 2007	Share sale	9,594,000	Lowest: 1.38 Highest: 1.40
2 May 2007	Share purchase	119,184,300	0.5471

Pursuant to the Takeovers Code, as the Offer are made through Kingston Securities and Kingston Corporate Finance is the financial advisor to Marigold, each of Kingston Corporate Finance and Kingston Securities is deemed to be acting in concert with Marigold for the purpose of the Offer. Neither Kingston Corporate Finance nor Kingston Securities is a shareholder of the Company nor has dealt for value in the shares, options, warrants, derivatives or securities convertible into shares of the Company in the six-month period prior to the date of the Announcement and up to the Latest Practicable Date.

Save as disclosed in this section (a), Marigold, Mr. Yam and parties acting in concert with any one of them had no other dealings in the shares, options, warrants, derivatives or securities convertible into shares of the Company in the six-month period prior to the date of the Announcement and up to the Latest Practicable Date.

(b) By the Directors

Save for the Sale and Purchase Agreement, the Directors had no dealings in the shares, options, warrants, derivatives or securities convertible into shares of the Company in the six-month period prior to the date of the Announcement and up to the Latest Practicable Date.

5. MARKET PRICES

(a) The highest and lowest closing price per Share as quoted on the Stock Exchange in the six-month period preceding the date of the Announcement and ending on the Latest Practicable Date, were HK$1.60 per Share on 14 May 2007 and HK$0.98 per Share on 5 March 2007 respectively.

(b) The table below sets out the closing price per Share as quoted on the Stock Exchange on (i) the last business day of each of the six calendar months immediately preceding the date of the Announcement; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

Date	**Closing price Date of Shares** *(HK$)*
31 October 2006	1.01
30 November 2006	1.16
29 December 2006	1.08
29 January 2007 (last day of trading in January 2007 prior to suspension)	1.19
31 January 2007	Suspended
28 February 2007	1.12
30 March 2007	1.50
20 April 2007 (Last Trading Date and last day of trading in April 2007 prior to suspension)	1.47
30 April 2007	Suspended
Latest Practicable Date	1.40

6. LITIGATION

Neither the Company nor any other members of the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group as at the Latest Practicable Date.

7. MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business, have been entered into by members of the Group within the two years prior to the Announcement and up to the Latest Practicable Date and are or may be material:

(i) the sale and purchase agreement dated 29 January 2007 entered into between Artfield Company Limited, Merry Crest Management Limited and Mr Liang in relation to the disposal of the entire issued share capital in Royal Success Enterprises Limited and all the Group's shareholding in Ultra Good Electroplating Limited at a consideration of HK$11,636,694; *(Note 1)*

(ii) the supply agreement dated 29 January 2007 entered into between Artfield Manufacturing Company Limited, Royal Success Enterprises Limited and Ultra Good Electroplating Limited in relation to the sale of wooden products and the provision of electroplating services; *(Note 2)*

(iii) the sale and purchase agreement date 29 January 2007 entered into between Artfield Manufacturing Company Limited, Asia Peace Development Limited and Mr Liang in relation to the disposal of the entire contributed and paid up capital of Artfield Industries (Shenzhen) Ltd. at a consideration of HK$27,424,126; *(Note 3)*

(iv) the supply agreement dated 29 January 2007 entered into between Artfield Manufacturing Company Limited and Artfield Industries (Shenzhen) Ltd. in relation to the sale of clocks, timepieces, gift and premium products; *(Note 4)*

(v) the sale and purchase agreement dated 12 June 2006 entered into between Artfield Company Limited and Bright International Investment Holdings Limited for the disposals of entire issued shares of City Bright International Limited at a total consideration of HK$3,874,174;

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

(vii) the sale and purchase agreement dated 22 February 2006 entered into between Easy Link Assets Limited and Chin Yuk Wai for the disposals of 49% equity interests in Success Start Holdings Limited at a total consideration of HK$6,000,000.

Note 1: The agreement was announced by the Company's announcement dated 6 February 2007 and the detail of the transaction was include in the Company's circular dated 14 March 2007. As at the date of the agreement, the ultimate beneficial owner of Merry Crest Management Limited was Mr. Liang and Artfield Company Limited which is wholly owned by the Company.

Note 2: The agreement was announced by the Company's announcement dated 6 February 2007 and the detail of the transaction was included in the Company's circular dated 14 March 2007. As at the date of the agreement, the Company was the ultimate beneficial owner of the entire issued share capital in Royal Success Enterprises Limited and 79.75% of the entire issued share capital in Ultra Good Electroplating Limited.

Note 3: The agreement was announced by the Company's announcement dated 6 February 2007 and the detail of the transaction was included in the Company's circular dated 14 March 2007. As at the date of the agreement, the ultimate beneficial owner of Asia Peace Development Limited was Mr. Liang.

Note 4: The agreement was announced by the Company's announcement dated 6 February 2007 and the detail of the transaction was included in the Company's circular dated 14 March 2007. As at the date of the agreement, Artfield Manufacturing Company Limited and Artfield Industries (Shenzhen) Ltd. were wholly owned by the Company.

Save for the aforesaid material contracts, no contract had been entered into by the Company or its subsidiaries, not being contracts entered into in the ordinary course of business, within two years prior to the Announcement and up to the Latest Practicable Date which is or may be material.

8. SERVICE CONTRACTS

Each of Mr. Liang Jin You, Ms. Li Kwo Yuk, Mr. Leung Kin Yau, Mr. Deng Ju Neng and Mr. Ou Jian Sheng has entered into employment agreements with Artfield Company Limited, an wholly-owned subsidiaries of the Company, to be appointed as executive directors commencing from 1 April 2007 for a fixed term of three years. Their annual salary are HK$1,000,000.00 (out of which HK$400,000 is performance-based (*Note*)), HK$1,200,000.00 (out of which HK$1,080,000 is performance-based (*Note*)), HK$120,000.00, HK$480,000.00 and HK$480,000.00 respectively, and they are entitled to discretionary bonus to be determined by the board of directors of Artfield Company Limited. If the group of Artfield Company Limited is unable to attain any profits for the relevant year, then neither Mr. Liang Jin You nor Ms. Li Kwo Yuk shall be entitled to the performance based salary for that year.

Each of Mr. Liang Jin You, Ms. Li Kwo Yuk, Mr. Leung Kin Yau, Mr. Deng Ju Neng and Mr. Ou Jian Sheng has entered into employment agreements with Artfield Manufacturing Co., Ltd., an wholly-owned subsidiaries of the Company, to be appointed as executive directors commencing from 1 April 2007 for a fixed term of three years. Their annual salary are

HK$2,000,000.00 (out of which HK$1,280,000 is performance-based (*Note*)), HK$800,000.00 (out of which HK$560,000 is performance-based (*Note*)), HK$240,000.00, HK$120,000.00 and HK$240,000.00 respectively, and they are entitled to discretionary bonus to be determined by the board of directors of Artfield Manufacturing Co., Ltd.. If the group of Artfield Manufacturing Co., Ltd. is unable to attain any profits for the relevant year, then neither Mr. Liang Jin You nor Ms. Li Kwo Yuk shall be entitled to the performance-based salary for that year.

Note: Those performance-based portion of the annual salary would be paid at the end of each financial year, when the audited accounts of the relevant companies are available to assess the performance of the relevant directors.

The above employment agreements do not set out the basis on which the bonus is to be determined. The relevant board of directors will determine the amount of discretionary year-end bonus payable to the directors taking into account various factors including their respective performance and contribution in the relevant year of service.

All the above employment agreements can be terminated by the relevant companies with twelve months' notice or payment in lieu of notice.

A summary of the current and previous levels of salary of the above directors are summarized as below:

	Annual Salary (HK$)			
	Artfield Company Limited		Artfield Manufacturing Co., Ltd.	
	Current	Previous	Current	Previous
1. Mr. Liang Jin You	1,000,000 (out of which 400,000 is performance-based)	600,000	2,000,000 (out of which 1,280,000 is performance-based)	720,000
2. Ms. Li Kwo Yuk	1,200,000 (out of which 1,080,000 is performance-based)	120,000	800,000 (out of which 560,000 is performance-based)	240,000
3. Mr. Leung Kin Yau	120,000	120,000	240,000	240,000
4. Mr. Deng Ju Neng	480,000	480,000	120,000	120,000
5. Mr. Ou Jian Sheng	480,000	480,000	240,000	120,000

Save as aforesaid, none of the Directors has any existing or proposed service contracts with any member of the Group or any associated company of the Company:

(i) which (including both continuous and fixed term contracts) have been entered into or amended within six months before the commencement of the Offer period;

(ii) which are continuous contracts with a notice period of 12 months or more; nor

(iii) which are fixed term contracts with more than 12 months to run irrespective of the notice period.

No benefit has been or will be given to any Director as compensation for loss of office or otherwise in connection with the Offer.

As at the Latest Practicable Date, there was no material contract entered into by the Offeror in which any Director had a material personal interest.

9. EXPERTS

The following are the qualifications of the experts who have been named in this Composite Offer Document or have given opinions, letters or advice which are contained in this Composite Offer Document:

Name	Qualifications
Kingston Securities	a licensed corporation to carry on business in type 1 (dealing in securities) regulated activity under the SFO
Kingston Corporate Finance	a licensed corporation to carry on business in type 6 (advising on corporate finance) regulated activity under the SFO
VXLFS	a licensed corporation to carry on business in type 6 (advising on corporate finance) regulated activity under the SFO

Each of Kingston Securities, Kingston Corporate Finance and VXLFS has given and has not withdrawn its written consent to the issue of this Composite Offer Document with the inclusion herein of its letter and/or references to its names, in the form and context in which it appears.

10. GENERAL

(a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. Its principal place of business in Hong Kong is at 13th Floor, Universal Industrial, Centre, 19-21 Shan Mei Street, Fo Tan, Shatin, New Territories, Hong Kong.

(b) The principal members of the Offeror's concert group comprise Marigold and its 100% beneficial owner, Mr. Yam.

(c) The registered office of Marigold is at 30 De Castro Street, Wickhams Cay 1, P.O. Box 961, Road Town, Tortola, British Virgin Islands. Its correspondence address is at Room 3002, 30th Floor, Sino Plaza, 255-257 Gloucester Road, Causeway Bay, Hong Kong.

(d) The correspondence address of Mr. Yam is at Room 3002, 30th Floor, Sino Plaza, 255-257 Gloucester Road, Causeway Bay, Hong Kong.

(e) The correspondence address of Kingston Securities and Kingston Corporate Finance is at 2801, 28th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.

(f) The correspondence address of VXLFS is at Unit 3214, 32nd Floor, Cosco Tower, Grand Millennium Plaza (High Block), 183 Queen's Road Central, Hong Kong.

(g) The secretary and qualified accountant of the Company is Lau King Pong at 13th Floor, Universal Industrial Centre, 19-21 Shan Mei Street, Fo Tan, Shatin, New Territories, Hong Kong. Mr. Lau is a fellow member of the Association of Chartered Certified Accountants and a member of Hong Kong Institute of Certified Public Accountants.

(h) The Company's Hong Kong branch share registrar and transfer office is Union Registrars Limited, Room 1803, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.

(i) All time references contained in this Composite Offer Document refer to Hong Kong time.

(j) The English text of this Composite Offer Document and the Form of Acceptance shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during 9:00 a.m. to 5:00 p.m. on any weekday (except for public holidays) at the office of the Company at 13th Floor, Universal Industrial Centre, 19-21 Shan Mei Street, Fo Tan, Shatin, New Territories, Hong Kong while the Offer remain open:

(a) the memorandum of association and articles of association of the Company and Marigold;

(b) the annual reports of the Company for the two years ended 31 March 2006;

(c) the interim results of the Company for the six months ended 30 September 2006;

(d) the letter from the Independent Board Committee, the text of which is set out on page 17 of this Composite Offer Document;

(e) the letter from Kingston Securities, the text of which is set out from pages 10 to 16 of this Composite Offer Document;

(f) the letter from VXLFS, the text of which is set out on pages 18 to 30 of this Composite Offer Document;

(g) the letters of consent from each of Kingston Corporate Finance, Kingston Securities, and VXLFS referred to in this Appendix;

(h) copies of the material contracts referred to the section headed "Material Contracts" in this Appendix;

(i) the facility letter later in respect of the credit facility made available to Marigold by Kingston Securities for financing the Offer;

(j) employment agreement between Mr. Liang Jin You and Artfield Company Limited dated 1 April 2007;

(k) employment agreement between Ms. Li Kwo Yuk and Artfield Company Limited, Ltd. dated 1 April 2007;

(l) employment agreement between Mr. Leung Kin Yau and Artfield Company Limited dated 1 April 2007;

(m) employment agreement between Mr. Deng Ju Neng and Artfield Company Limited dated 1 April 2007;

(n) employment agreement between Mr. Ou Jian Sheng and Artfield Company Limited dated 1 April 2007;

(o) employment agreement between Mr. Liang Jin You and Artfield Manufacturing Co., Ltd. dated 1 April 2007;

(p) employment agreement between Ms. Li Kwo Yuk and Artfield Manufacturing Co., Ltd. dated 1 April 2007;

(q) employment agreement between Mr. Leung Kin Yau and Artfield Manufacturing Co., Ltd. dated 1 April 2007;

(r) employment agreement between Mr. Deng Ju Neng and Artfield Manufacturing Co., Ltd. dated 1 April 2007; and

(s) employment agreement between Mr. Ou Jian Sheng and Artfield Manufacturing Co., Ltd. dated 1 April 2007.

Copies of these documents will be available for inspection on the Company's website at http://www.artfield.com.hk and on the website of the SFC at www.sfc.hk while the Offer remain open.