ARTFIELD GROUP LIMITED

(Incorporated in Bermuda with limited liability)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2003

The board of directors (the “Board”) of Artfield Group Limited (the “Company”) would like to announce the audited consolidated results of the Company and its subsidiaries (together the “Group”) for the year ended 31 March 2003 as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	2003 HK$'000	2002 HK$'000
TURNOVER	1	**268,853**	272,556
Cost of sales		**(208,520)**	(214,513)
Gross profit		**60,333**	58,043
Other income		**1,050**	2,221
Administrative expenses		**(43,217)**	(48,355)
Selling and distribution costs		**(11,359)**	(11,769)
Other operating expenses		**(1,895)**	(1,770)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	2	**4,912**	(1,630)
Finance costs	3	**(2,341)**	(1,961)
Share of loss of a jointly-controlled entity		**(48)**	(485)
PROFIT/(LOSS) BEFORE TAX		**2,523**	(4,076)
Tax	4	**(219)**	1,915
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		**2,304**	(2,161)
Minority interests		**(582)**	(645)
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		**1,722**	(2,806)
EARNINGS/(LOSS) PER SHARE	5		
Basic		**HK0.71 cent**	HK(1.16) cents
Diluted		**HK0.70 cent**	N/A

Notes:

1. TURNOVER AND SEGMENT INFORMATION

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

An analysis of the Group's turnover and results information by business and geographical segments for the year ended 31 March 2003 is as follows:

(a) *Business segments*

	Clocks and other office related products		Lighting products		Trading		Electroplating services		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:										
Sales to external customers	**150,792**	140,057	**9,903**	10,605	**94,963**	108,061	**13,195**	13,833	**268,853**	272,556
Segment results	**8,467**	4,073	**621**	577	**2,781**	2,459	**1,917**	2,515	**13,786**	9,624
Interest and dividend income									**41**	327
Net unallocated expenses									**(8,915)**	(11,581)
Profit/(loss) from operating activities									**4,912**	(1,630)
Finance costs									**(2,341)**	(1,961)
Share of loss of a jointly-controlled entity	**(48)**	(485)	**–**	–	**–**	–	**–**	–	**(48)**	(485)
Profit/(loss) before tax									**2,523**	(4,076)
Tax									**(219)**	1,915
Profit/(loss) before minority interests									**2,304**	(2,161)
Minority interests									**(582)**	(645)
Net profit/(loss) from ordinary activities attributable to shareholders									**1,722**	(2,806)

(b) *Geographical segments*

	North America		Europe		Hong Kong		Mainland China		Others		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:												
Sales to external customers	**85,252**	76,739	**58,334**	52,863	**20,366**	22,461	**99,106**	113,652	**5,795**	6,841	**268,853**	272,556

2. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	2003 HK$'000	2002 HK$'000
Cost of inventories sold	**200,605**	211,176
Cost of services provided	**7,578**	7,270
Depreciation	**10,314**	10,015
Amortisation of patents and trademarks	**105**	99
Amortisation of goodwill	**581**	–
Minimum lease payments under operating leases for land and buildings	**1,433**	1,425
Exchange losses/(gains), net	**(150)**	633
Provision for impairment in value of fixed assets	**–**	1,099
Deficit on revaluation of fixed assets	**300**	600
Loss/(gain) on disposal of fixed assets	**55**	(29)
Provision for/(write back) of provision for inventories	**337**	(3,933)
Loss on disposal of a jointly-controlled entity	**399**	–
Gain on disposal of investments held for disposal	**–**	(709)
Dividend income from investments held for disposal	**–**	(106)
Gross rental income	**(893)**	(1,238)
Less: Outgoings	**83**	82
Net rental income	**(810)**	(1,156)
Interest income	**(41)**	(221)

3. FINANCE COSTS

	2003 HK$'000	2002 HK$'000
Interest expense on:		
Bank loans, overdrafts and other loans wholly repayable within five years	**1,973**	1,796
Bank loans repayable beyond five years	**281**	100
Finance leases	**87**	65
	2,341	1,961

4. TAX

Hong Kong profits tax has been provided at the rate of 16% (2002: 16%) on the estimated assessable profits arising in Hong Kong during the year.

At 31 March 2003, four (2002: three) subsidiaries, which were established in Mainland China, were exempted from the People's Republic of China (the "PRC") income tax for two years from their first profit-making year and were eligible for a 50% relief from the PRC corporate income tax for the following three years under the Income Tax Law of the PRC. The current tax rates that would otherwise be applicable to these subsidiaries range from 15% to 24%.

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

	2003	2002
	HK$'000	*HK$'000*
Group:		
Hong Kong:		
Current year provision	**(385)**	(260)
Overprovision in prior years	**120**	249
Deferred	**–**	1,771
	(265)	1,760
Elsewhere:		
Current year provision	**(84)**	(185)
Overprovision/(underprovision) in prior years	**(66)**	188
Rebate relating to prior years	**196**	152
	46	155
Tax credit/(charge) for the year	**(219)**	1,915

5. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK$1,722,000 (2002: net loss of HK$2,806,000), and the weighted average number of 242,264,656 (2002: 242,807,500) ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK$1,722,000. The weighted average number of ordinary shares used in the calculation is the 242,264,656 ordinary shares in issue during the year, as used in the basic earnings per share calculation; and the weighted average number of 4,940,776 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all options outstanding during the year. The exercise price of the warrants outstanding during the year is higher than the average market price of the Company's shares and, accordingly, they have no dilutive effect on the basic earnings per share.

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

DIVIDENDS

The Board does not recommend the payment of any dividend for the year ended 31 March 2003 (2002: Nil).

EXTRACT OF OPINION FROM AUDITORS

Scope limitation – acquisition of a subsidiary

The Group acquired a subsidiary (the "Acquisition") for a consideration of HK$20 million during the year. The evidence available to the auditors in connection with the acquisition of this company was limited. Notwithstanding that the auditors understand the acquired subsidiary has been in the metals distribution business for some three years, no proper books and records in connection with the subsidiary company's activities prior to the Acquisition, other than in respect of the fixed assets and other receivable, were available for their audit. Accordingly, the auditors were unable to obtain sufficient evidence to assess or confirm the accounting for the Acquisition, to ascertain the reasonableness of the amounts paid for the Acquisition or otherwise determine how the payments of HK$20 million should be reflected in the underlying transaction. As a result of this scope limitation, the auditors were not able to perform the procedures they considered necessary to assess the transaction as a whole and, accordingly, the carrying value of the goodwill arising from the acquisition at 31 March 2003. Any adjustment to either the goodwill and/or the net assets acquired arising from the acquisition of the subsidiary would have a consequential impact on the Group's net assets as at 31 March 2003 and its profit for the year then ended.

In forming their opinion the auditors also evaluated the overall adequacy of the presentation of information in the financial statements. The auditors believe that their audit provides a reasonable basis for their opinion.

Qualified opinion arising from limitation of audit scope

Except for any adjustments or disclosures that might have been found to be necessary had the auditors been able to satisfy themselves regarding the matter discussed in the preceding paragraph, in their opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2003 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

In respect alone of the limitation on the auditors' work relating to the acquisition of the subsidiary,

– the auditors have not obtained all the information and explanations that they considered necessary for the purpose of their audit; and

– the auditors were unable to determine whether proper books of account had been kept.

RESULTS

During the year under review, owing to continuous uncertainty of the worldwide economy, the Group recorded turnover of approximately HK$268,853,000 (2002: HK$272,556,000), representing a slight decrease of about 1.4% as compared with last year. In spite of poor market sentiment, the net profit from ordinary activities attributable to shareholders for the year improved to HK$1,722,000 (2002: net loss of HK$2,806,000). This improving result was mainly attributable to the Group's continuous efforts in enhancing management quality, controlling the operation costs and strengthening our product and marketing strategies effectively.

BUSINESS REVIEW AND PROSPECT

Clocks and Other Office Related Products

During the year, the global economic condition remained challenging. The clocks and other related products, accounting for about 56.1% (2002: 51.4%) of the Group's total turnover, recorded a stable growth of 7.7% in turnover for the year, amounting to approximately HK$150,792,000 (2002: HK$140,057,000), which was a fairly satisfactory result under this unpromising market conditions. Although the intensified market competition still exerted pressure on price and profit margin, the Group endeavors to increase the total sales volume and amount in order to maintain its leading position within the industry.

As for our major markets, though the outbreak of Iraq war during the second half of the year, sales to the United States (the "US") and Europe markets achieved a remarkable increase of about 11.6% and 14.1% respectively. This achievement was mainly derived from the Group's continuing efforts on product development and market penetration by leveraging with our distribution networks in overseas offices. While sales to the Asia Pacific region including the PRC and Japan markets represented about 2.9% of the Group's total turnover.

Facing such adverse and turbulent operating environment, the Group will continue to transform our sales and marketing strategies to cope with the rapid changing market environment and to innovate more value-for-money and fashionable-design products to our potential customers at reasonable costs.

Lighting Products

On the back of lackluster consumer demand, the turnover of the lighting product segment recorded approximately HK$9,903,000 (2002: HK$10,605,000). Besides, with increasing domestic manufacturers in the PRC trying to compete with other rivals in the market by plunging prices of lighting products, the market competition become more severe.

In order to maintain our competitiveness, the Group has put more efforts to expand the existing production capacity, to improve the operating efficiency and maintain stringent product quality during the year.

Trading

The result of trading segment was affected by the sluggish market environment in Asia region, coupled with the outbreak of severe acute respiratory syndrome ("SARS"). The turnover of trading segments recorded a decrease of about 12.1% to HK$94,963,000 (2002: HK$108,061,000).

By acquisition of Lens Trading Inc. in August 2002, the Management expects that it can broaden its earning base as well as provide a stable income source for the Group to improve its overall profitability. Supported by the Group's well-established vertical integration strategy, it is expected that the trading and distribution business will provide positive contributions to the Group in the long-term.

Electroplating Services

In light of stiff market condition, the turnover of electroplating services was approximately HK$13,195,000 (2002: HK$13,833,000), representing a slight decrease of about 4.6% as compared with last year. The Management will deploy additional resources in upgrading the electroplating techniques and installing advanced machinery and equipment in order to increase the capacity and enjoy the advantages of economies of scale.

PROSPECTS

During the year, when the worldwide economy was expected to show signs of an incipient recovery, it was abruptly hampered by the tensions in the Middle East and the outbreak of SARS. The Management believes that the coming year shall remain to be tough and challenging to most industries.

Against such an adverse economic climate, the Management will continue to exercise effective cost management and improve its performance and profitability by implementing comprehensive and stringent business strategies in the following aspects:

Product Development

The Management believes that product design and development is critical to the success of the Group's business. Therefore, the Group consistently puts emphasis and consideration efforts on design concept and product engineering processes.

In light of sophisticated customers' demands nowadays, the use of clocks is no longer basic necessities, instead they are perceived as fashionable gifts and stationery items. In order to differentiate us from the market, an in-house research and development team is encouraged to explore their innovations in product designs and functionalities tied with market trends. Therefore the Group not only provides the conventional clock products, but also broadens the product range including lighting products, electroplating products and especially for development of gifts and accessory items such as office and household accessories items and giftware products like office stationery sets, wooden music boxes, photo frames, wooden medals, wooden jewellery boxes. The Management believes that enriching our product offering will expand the customer base and diversify our product portfolio in the near future.

Market Expansion

Apart from enriching product mix, the Management constantly evaluates our existing market share and its position. In addition to establishing our OEM business in the US market, the Group endeavors to actively expand our distribution presences in other major geographical regions including Europe and the PRC. By establishing our representative sales offices among the US, the United Kingdom (the "UK"), Germany and the PRC in the past years, the Group enjoys the advantages of sharing the market information shortly and enhances the distribution and processing networks in promoting our OEM and branded products in different geographical regions. In the meantime, the overseas offices will liaise with various distribution agencies with extensive market coverage to gain a foothold in major cities and thereby facilitating an efficient expansion and distribution.

Brand Management

Adopting the marketing strategies targeted at different market positioning, the Group holds several brand names to suit customers' needs. In order to establish our brand recognition in the US and the PRC market, the Management will mainly focus on promoting our branded clock product "Wehrle" to meet the high-ranked markets. With over 180 years' brand history, "Wehrle" is well-renowned name in the Europe for high quality brass clocks and wins the market reputations. The Management believes that the opening up of the PRC market will provide a platform for the Group to capitalize our professional technical know-how of a high-end brand name.

Capturing Opportunities in the PRC Market

Despite the overall sluggish economy, the PRC market maintains a steady growth. The China's accession to the World Trade Organization, coupled with the recent formal signing of the Closer Economic Partnership Arrangement between Hong Kong Special Administrative Region and the Central Government, will facilitate the liberalization of trade in goods and services in the mainland market. The zero-tariff policy will certainly facilitate the Group's further expansion into the mainland market in the years ahead.

Along with our foundation and experiences accumulated in the PRC market over the years, the Management always dedicates to strengthen the sales and marketing distribution channels in the major affluent cities such as Beijing, Shanghai, Guangzhou and develop our own brand positions in order to capture the arising business opportunities in the PRC.

Production Capacity and Facilities Upgrade

Leveraging with over 19 years' experiences of clock manufacturing and its proven track record in the field, the Group will preserve in enhancing our long-term vertical integration processes to maximize the economies of the scale. Therefore the Group continues to deploy more resources in advancing production machineries and facilities, upgrading the manufacturing technologies in order to enhance the operation efficiency, to increase production capacity and to maintain high quality products.

For wood product and lighting product development, the construction of new factory premises in Gao Ming, the PRC adjacent to the existing production facilities of the Group was commenced in late 2002 and expected to be completed within this coming year. The Management believes that the new production facilities will increase the annual production capacity in the future.

For electroplating business, the Management plans to install additional automatic electroplating production lines apart from existing facilities and reinforce new electroplating techniques to cater for high expectations from customers and growing demands. In long-term perspective, the Group has equipped sufficient and specialized production manpower in our production plants in China which will be capable to meet the tight production schedules and increased production orders.

Strategic Investment

Looking ahead, the Management will prudently identify any opportunity to expand the scope of the existing businesses through merger and acquisition of other related businesses or projects with high profitability returns after evaluation of existing business and future development plan in order to deliver excellent value to our shareholders.

EMPLOYEES

As at 31 March 2003, the Group had a total of 2,277 (2002: 1,847) employees spreading among Hong Kong, the PRC, the US, the UK and Germany. Industrial relationship has been well maintained.

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

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2003, the Group had total outstanding debts and finance lease obligations of HK$53,889,000 (2002: HK$37,482,000), of which HK$42,118,000 (2002: HK$34,503,000) was secured bank loans, HK$9,058,000 (2002: HK$2,335,000) was secured overdrafts, HK$832,000 (2002: nil) was unsecured other loans and HK$1,881,000 (2002: HK$644,000) was obligations under finance leases. The amount repayable within one year accounted for 68.7% (2002: 75.6%) of the total borrowings as at 31 March 2003.

The maturity profile of the Group's total borrowings as at 31 March 2003 is analysed as follows:

	2003	2002
Within one year	**68.7%**	75.6%
In the second year	**11.3%**	1.8%
In the third to fifth years, inclusive	**8.5%**	4.6%
Beyond five years	**11.5%**	18.0%
Total	**100.0%**	100.0%

Our gearing ratio was at a healthy level of 8.4% (2002: 4.6%). The computation is based on long-term borrowings of the Group divided by shareholder's fund.

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

CHARGES ON GROUP'S ASSETS

The Group's investment properties with a value of HK$7,700,000 (2002: HK$8,000,000), bank deposits of HK$2,907,000 (2002: HK$2,540,000) and certain of the Group's leasehold land and buildings, and plant and machinery were pledged to secure general banking facilities granted to the Group.

FOREIGN EXCHANGE EXPOSURE

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

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

TREASURY POLICIES

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

ACQUISITION OF A SUBSIDIARY

On 16 August 2002, Artfield Company Limited ("ACL"), a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company, entered into a Sale and Purchase Agreement with an independent third party (the "Vendor") for the acquisition of all the issued shares of Lens Trading Inc. ("Lens"), a company incorporated in the British Virgin Islands, pursuant to which ACL agreed to purchase from the Vendor the entire interests in Lens for an aggregate consideration of HK$20,000,000. The principal business activity of Lens is the provision of logistics and distribution business of trading commodities between Hong Kong and the PRC.

Through this acquisition, the Management believes that it will enhance the stability of earning trading income to the Company and minimize the operational risks in the trading of metal commodity business. Along with the long-term vertical integration strategy adopted by the Group, it will also enhance the management of trading and distribution business as well as to minimize the overall operation costs thus to improve profit margin in the trading business. The Board believes that this transaction represents a promising opportunity for the Company to broaden its earning base and expand its trading business into an area, which in certain aspects, complements its existing operations in the future. It is expected that the trading and distribution business will be able to contribute to the Group in the long run.

CONTINGENT LIABILITIES

As at 31 March 2003, the Group did not have material contingent liabilities (2002: HK$517,000).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

Month of repurchase	Number of shares repurchased	Price per share Highest	Price per share Lowest	Total price paid
		HK$	*HK$*	*HK$'000*
October 2002	962,000	0.63	0.59	592
February 2003	800,000	0.63	0.57	485
	1,762,000			1,077

The repurchased shares were cancelled during the year and the issued share capital of the Company was reduced by the par value thereof. The premium paid on the repurchase of the shares of HK$901,000 has been debited to the share premium account.

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

Subsequent to the balance sheet date, in May 2003, the Company repurchased 506,000 of its ordinary shares of HK$0.10 each on the Stock Exchange at prices ranging from HK$0.56 to HK$0.57 per share. The total purchase consideration, including its related expenses, was HK$291,000.

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

CODE OF BEST PRACTICE

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

AUDIT COMMITTEE

The Company has set up an Audit Committee (the "Committee"). The Committee meets regularly with senior management to review the accounting principles and practices adopted by the Group and to discuss auditing, internal control and financial reporting matters. The members of the Committee are Mr. Lo Ming Chi, Charles and Mr. Cheung Doi Shu, both of them are the independent non-executive directors of the Company.

PUBLICATION OF RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

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

By order of the Board
LIANG Jin You
Chairman

Hong Kong, 30 July 2003

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