



The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2001.

PRINCIPAL ACTIVITIES

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

SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to profit from operating activities by principal activity and geographical area of operations for the year ended 31 March 2001 is as follows:

	Turnover		Contribution to profit from operating activities	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
By principal activity:				
Manufacturing and marketing of clocks	151,569	161,267	(3,559)	4,014
Manufacturing and marketing of lighting products	4,805	29,269	475	1,870
Trading of metals	104,482	65,678	4,383	1,748
Provision of electroplating services	12,326	9,421	5,543	973
Others	11,040	9,366	107	697
	<u>284,222</u>	<u>275,001</u>	<u>6,949</u>	<u>9,302</u>
By geographical area:				
North America	95,244	107,315	247	1,101
Europe	43,653	49,372	(596)	3,950
People's Republic of China:				
Hong Kong, SAR	30,990	24,324	3,407	1,482
Elsewhere	106,137	83,659	4,339	1,998
Asia Pacific	2,533	2,931	(16)	(24)
Others	5,665	7,400	(432)	795
	<u>284,222</u>	<u>275,001</u>	<u>6,949</u>	<u>9,302</u>

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2001 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 23 to 57.

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

SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 58. This summary is not part of the audited financial statements.



FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets and investment properties of the Group are set out in note 10 to the financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 11 to the financial statements.

ASSOCIATE AND JOINTLY-CONTROLLED ENTITIES

Particulars of the Group's interests in an associate and jointly-controlled entities are set out in notes 12 and 13, respectively, to the financial statements.

BORROWINGS

Details of the borrowings of the Company and the Group are set out in notes 19 to 21 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the Company's share capital and share options scheme are set out in note 23 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 24 to the financial statements.

PRE-EMPTIVE RIGHTS

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

DISTRIBUTABLE RESERVES

At 31 March 2001, the Company had no retained profits available for cash distribution and/or distribution in specie. Under the Companies Act 1981 of Bermuda, the Company's contributed surplus of HK\$128,013,000 may be distributed under certain circumstances. In addition, the Company's share premium account with a balance of HK\$26,262,000 may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 57.9% of the total sales for the year and sales to the largest customer included therein amounted to 36.8%. Purchases from the Group's five largest suppliers accounted for 64.6% of the total purchases for the year and purchases from the largest supplier included therein amounted to 52.2%.

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



DIRECTORS

The directors of the Company during the year and at the balance sheet date were:

Executive directors:

Mr. LIANG Jin You

Ms. LI Kwo Yuk

Mr. YUE Yuk Wah

Mr. LEUNG Kin Yau

Mr. LO Wah Wai

Mr. OU Jian Sheng

Mr. DENG Ju Neng

Mr. IP Yiu Tung

(resigned on 29 September 2000)

Mr. HO Kwan Ching

(resigned on 21 February 2001)

Independent non-executive directors:

Mr. LO Ming Chi, Charles

Mr. CHEUNG Doi Shu

Subsequent to the balance sheet date, on 15 May 2001, Mr. LO Wah Wai resigned as an executive director and was appointed as a non-executive director of the Company.

In accordance with Articles 86(2) and 87 of the Company's Bye-laws, Mr. LO Wah Wai and Mr. DENG Ju Neng will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Details of the remuneration of the directors of the Company and of the five highest paid employees of the Group during the year ended 31 March 2001 are set out in note 5 to the financial statements.

PENSION SCHEME

Details of the pension scheme of the Group are set out in note 1 to the financial statements.

DIRECTORS' SERVICE CONTRACTS

During the year ended 31 March 2001, the executive directors provided management services to the Group under the following contracts:-

Directors	Terms of service	Expiry date
Mr. LIANG Jin You	2 years	31 August 2000
Ms. LI Kwo Yuk	2 years	30 April 2002
Mr. YUE Yuk Wah	2 years	28 February 2002
Mr. LEUNG Kin Yau	2 years	31 August 2000
Mr. LO Wah Wai	2 years	31 August 2000
Mr. OU Jian Sheng	2 years	4 August 2001
Mr. DENG Ju Neng	2 years	31 August 2000

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

At 31 March 2001, none of the above service contracts expired during the year ended 31 March 2001 were renewed.



DIRECTORS' INTERESTS IN SHARE CAPITAL

At 31 March 2001, the interests of the directors and their associates in the share capital of the Company and its associated corporations, as required to be recorded in the Register of Directors' Interests maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), were as follows:

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

Note:

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

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Under the share option scheme adopted by the Company on 21 March 1995, the board of directors of the Company may, at their discretion, grant options to employees of the Group, including the Company's executive directors, to subscribe for shares in the capital of the Company. The maximum number of shares in respect of which options may be granted under the scheme may not exceed 10% of the issued capital of the Company. Further details of the share option scheme are set out in note 23 to the financial statements.

Details of the share options granted to certain directors are as follows:

	Options outstanding as at 31 March 2001
1. Share options granted to executive directors on 6 October 1999 at an exercise price of HK\$0.2608 and exercisable from 6 October 1999 to 20 March 2005	
Mr. LIANG Jin You	2,306,000
Mr. OU Jian Sheng	5,766,000
2. Share options granted to an executive director on 27 January 2000 at an exercise price of HK\$0.6464 and exercisable from 27 January 2000 to 20 March 2005	
Ms. LI Kwo Yuk	2,836,000
Total	10,908,000

No share options were granted to or exercised by the directors during the year.



DIRECTORS' RIGHTS TO ACQUIRE SHARES (Cont'd)

Apart from the foregoing, at no time during the year was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

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

BRIEF BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT STAFF

Executive directors

Mr. LIANG Jin You, aged 44, the Chairman and Managing Director of the Company, is responsible for the Group's overall strategic planning and policy making. He has more than 18 years of experience in trading, industrial management and in the real estate business in Hong Kong and the People's Republic of China (the "PRC"). He joined the Group in 1998. He is a brother of Mr. LEUNG Kin Yau and the husband of Ms. LI Kwo Yuk.

Ms. LI Kwo Yuk, aged 39, the Deputy Chairman of the Company, is responsible for overseeing the purchasing department. Ms. LI joined the Group on 1 January 2000 and has more than 15 years of experience in accounting, trading and administration. She is the wife of Mr. LIANG Jin You.

Mr. YUE Yuk Wah, aged 54, has been employed as the President (Marketing) of the Group and has been responsible for the Group's clock marketing function since 1 March 2000. Prior to that, Mr. YUE was responsible for the finance, accounting and company secretarial matters of the Group. He holds a master's degree in business administration from the University of East Asia, Macau. He is a fellow of the Chartered Association of Certified Accountants, the Chartered Institute of Management Accountants, the Hong Kong Society of Accountants and the Institute of Chartered Secretaries and Administrators. He is also an associate of the Chartered Institute of Arbitrators. He has more than 32 years of experience in management, finance and accounting. He joined the Group on 1 January 1995.

Mr. LEUNG Kin Yau (alias LIANG Kin You), aged 37, is responsible for the Group's clock marketing function and trading business. He has more than 12 years of experience in the trading of industrial materials and consumer products between Hong Kong and the PRC. He joined the Group in 1998. He is a brother of Mr. LIANG Jin You.

Mr. OU Jian Sheng, aged 38, is the General Manager of Artfield Industries (Shenzhen) Ltd. ("AIS"), a wholly-owned subsidiary of the Company. He is responsible for the overall management of AIS. He has a bachelor's degree in mechanical design and is a qualified mechanical engineer. He was employed in 廣州電器科學研究所 (Guangzhou Electrical Appliance Science Research Centre) of 中國機械工業部 (the Mechanical Engineering Industrial Department) and was the factory director of 廣東佛山電風扇總廠 (Guangdong Foshan Electrical Fan General Factory). He joined the Group in August 1999.

Mr. DENG Ju Neng, aged 46, the Managing Director of Ultra Good Electroplating Surface Finishing (Shenzhen) Co., Ltd., a subsidiary of the Company, is responsible for the subsidiary's day-to-day operations and overall manufacturing activities. He has more than 18 years of experience in trade, corporate management and real estate development. He joined the Group in 1998.



BRIEF BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT STAFF

(Cont'd)

Non-executive director

Mr. LO Wah Wai, aged 38, has been appointed as a Non-executive Director of the Company since 15 May 2001. He holds a bachelor's degree in business administration from the Chinese University of Hong Kong and is an associate member of the Hong Kong Society of Accountants. Prior to joining the Group in 1998, he worked and held senior positions in both an international accounting firm and an investment bank where he accumulated extensive experience in statutory accounting, corporate finance and strategic investment.

Independent non-executive directors

Mr. LO Ming Chi, Charles, aged 51, JP, is a member of the Australian Society of Certified Practising Accountants and the Securities Institute of Australia. He is a director of Tak Sing Alliance Holdings Ltd., Hung Fung Group Holding Limited and Multi-Asia International Holdings Limited, all of which are listed on The Stock Exchange of Hong Kong Limited. He has more than 22 years of experience in financial and investment services in Australia, Hong Kong and other Asian countries. He was appointed as an Independent Non-executive Director of the Company in 1998.

Mr. CHEUNG Doi Shu, aged 39, is a qualified solicitor in the Australian Capital Territory, Hong Kong, Singapore and England and Wales. He holds a bachelor's and a master's degree in law from the University of London, the United Kingdom. He is the sole proprietor of D.S. Cheung & Co. whose practice includes securities, corporate finance, China investments and international banking and finance. He is a director of Denway Motors Limited, GZI Transport Limited and Prosper eVision Limited, all of which are listed on The Stock Exchange of Hong Kong Limited and China Convergent Corporation Limited, listed on NASDAQ, The Australian Stock Exchange and The Frankfurt Stock Exchange. He was appointed as an Independent Non-executive Director of the Company in 1998.

Senior management staff

Ms. TSE Fung Sang, aged 60, an Executive Director of a subsidiary, Ultra Good Electroplating Limited, is responsible for the overall management and operations of this subsidiary. She joined the Group on 9 May 1991 and has more than 35 years of experience in the electroplating business.

Mr. TURNAGE Paul, aged 50, joined the Group on 18 May 2001, is the Managing Director of Ferdinand International (Marketing) Limited, a wholly-owned subsidiary of the Company. He is responsible for the Group's overall business and operations in the United Kingdom. Since 1987, he was the Managing Director of Kundo Staiger UK Limited, a wholly-owned subsidiary of Kundo Staiger GmbH, which is one of Europe's largest clock producers. He has been in the clock industry for 22 years and has extensive knowledge of the European and Far Eastern clock industry.

Mr. JASER Werner, is the Sales Manager of the Company's wholly-owned subsidiary in Germany, Wehrle Uhrenfabrik GmbH. Mr. JASER received substantial training in marketing and has held senior positions in certain wrist watches and clocks companies in the United Kingdom, France, Austria and Switzerland. Before joining the Group in April 2001, he ran his own clock business for more than 10 years. He has more than 30 years of experience in the clock industry.

Mr. CHAN Tak Wing, aged 42, Group Financial Controller and Company Secretary, is responsible for the Group's financial, accounting and company secretarial functions. He is an associate of the Institute of Chartered Secretaries and Administrators, and the Association of Cost and Executive Accountants, and is a fellow of the Association of Taxation and Management Accountants in Australia. He joined the Group on 14 August 1995 and has more than 18 years of experience in accounting and finance.



BRIEF BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT STAFF *(Cont'd)*

Senior management staff *(Cont'd)*

Mr. CHIU Wing Keung, aged 35, is the Financial Controller of the Hong Kong and overseas operations of the Group. He holds a bachelor's degree in science from the University of Hong Kong. He is a fellow of the Chartered Association of Certified Accountants and an associate member of the Hong Kong Society of Accountants. He joined the Group on 16 September 1996 and has more than 11 years of experience in auditing, finance and accounting.

Mr. LI Hung Tak, aged 41, is the Plant Superintendent of the Group's factory at Shenzhen. He joined the Group in August 1990 and has more than 15 years of experience in production planning and management.

SUBSTANTIAL SHAREHOLDERS

At 31 March 2001, no person other than Mr. LIANG Jin You, as set out in the section "Directors' interests in share capital" above, had registered an interest in 10% or more of the issued share capital of the Company in the register of interests that is required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

COMPLIANCE WITH THE CODE OF BEST PRACTICE

All of the recommendations and guidelines of the Code of Best Practice issued by The Stock Exchange of Hong Kong Limited (the "Code") have been complied with by the Company, except that independent non-executive directors are not appointed for specific terms as recommended by the Code. According to the Bye-laws of the Company, one third of the directors of the Company will retire by rotation every year and their appointments will be reviewed when they are due for re-election which, in the opinion of the directors, meets the same objective.

AUDIT COMMITTEE

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



AUDITORS

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

On Behalf of the Board

LIANG Jin You

Chairman

Hong Kong, 26 July 2001