

OPERATION

Vertical Integration in Manufacturing

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

Quality Control

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

Design, Research and Development

Our products are customer-oriented. Research and development are mostly performed in-house to reduce product development time. During the year under review, over 120 models of clocks, over 20 models of lighting products and over 25 models of gifts and premium products have been developed and launched to the market under our private labels or our owned brand names with marked success.

業務

垂直綜合生產

本集團在製造程序中繼續沿用垂直綜合化之長遠策略，此具成本效益之垂直綜合系統確實能彈性分配資源予各廠房，保證產品質素、縮短生產時間、維持成本控制及達到準時運送之效益。垂直綜合生產印證本集團過往之成功，並為本集團未來之發展奠下基礎。

品質控制

管理層一直重視產品之品質及可靠性，除對來料及製成品有充份控制外，於整過生產流程中，包括外來原料、元件、半製成品及製成品均要經過品質核對及測試之程序。

設計、研究與發展

本集團之產品均以客戶需求為主導。為了縮短產品開發之時間，本集團自行負責大部份之研究及發展。於回顧年度內，本集團已成功開發及在市場上以私人牌子或本身之品牌推出超過120款時鐘、超過20款照明產品及超過25款禮品及裝飾產品。



OPERATION (Cont'd)

Sales and Marketing

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

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

PRODUCTS

Analogue Clocks

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

During the year under review, the turnover of analogue clocks decreased moderately against keen price competition and the worldwide deteriorating market condition. The Management will strengthen the product designs and functionalities in order to improve its sales volume.

業務 (續)

銷售及市場推廣

為配合業務擴展策略，本集團繼續加強轄下在美國、英國及德國辦事處之銷售及市場推廣隊伍，共同開發新市場。各海外辦事處乃由富有才幹及經驗之市場推廣人員掌舵，他們透徹掌握產品、市場及客戶等最新資訊，令本集團可緊貼最新之市場及產品趨勢，全面了解客戶需要，從而為客戶提供至為稱心滿意之服務。本集團並透過此靈活之推銷網絡，與客戶保持直接業務交往，裨益不淺。

本集團繼續採用直銷策略，此舉可縮短運貨時間從而鞏固本集團在美國、歐洲及中國之市場地位。

產品

行針鐘

行針鐘仍然是本集團目前最重要之產品。其中包括座檯鐘、旅行鬧鐘、掛牆鐘及響鈴鬧鐘。

於回顧年度內，行針鐘之營業額在激烈的價格競爭和環球市場不振下稍為下調，管理層將加強其產品設計及功能特色，以增加此產品之銷售。



PRODUCTS (Cont'd)

LCD Products

The turnover of LCD products was HK\$8,488,000, representing a remarkable increase of about 4 times over the last year. The Management will strive to deploy more resources on product innovation, to broaden the product range and to improve its productivity by lowering production cost.

Lighting Products

With growing concerns over environmental protection and quality consciousness, the Management will continue to improve lighting models of high efficiency and longer lifetime, as well as develop more varieties of energy saving lighting apparatus.

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

Other Products

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

產品 (續)

液晶顯示產品

液晶顯示產品之營業額為港幣8,488,000元，取得超卓的成績，較去年約4倍。管理層將投入更多資源研製新產品，擴闊產品種類，同時透過降低生產成本等連串措施，以提升其生產力。

照明產品

鑑於對環保意識及品質要求日益關注，管理層將繼續提高照明產品的效率及增長其使用壽命，同時擴闊節能燈產品的品種。

憑藉累積多年的生產經驗，本公司已建立一套符合標準化的品質保證系統，以達到海外及中國市場所需之相關安全要求。例如，照明產品的品質已合符認可TUV測試，因而獲得高度認同。

其他產品

本集團將繼續多元化發展高邊際利潤之產品，以刺激需求及增加銷售。



SUBSIDIARIES

Artfield Industries (Shenzhen) Ltd. (“AIS”)

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

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

Ferdinand International (Marketing) Limited (“FIM”)

Since the acquisition of the business of a previously well-known UK-based clock company, Kundo Staiger UK Limited (“KS”), by the Group in 2001, the strong and extensive customers network of KS has maintained a positive contribution to the Group.

FIM, the wholly-owned subsidiary of the Group in the UK, recorded a turnover of approximately HK\$23,571,000 (2002: HK\$18,147,000). FIM will continue to put more sales and marketing efforts to diversify its markets covering other countries in Europe such as Ireland and the Netherlands. In the year ahead, FIM will assist to launch and promote our branded products and lighting products in the UK market and the Management is confident that FIM will broaden future developments.

附屬公司

雅域實業(深圳)有限公司(「深雅」)

深雅為本集團之主要附屬公司，負責本集團大部份時鐘生產業務。在深雅駐守之本集團高級職員對深雅之工藝技術、物料控制、成本控制、存貨控制及產品品質等各方面均進行嚴謹而全面之監督，以確保本集團之產品無論在盈利及資金回報等方面均較同業優勝。

本集團採用有效的採購策略，以便取得有利的物料價格。

Ferdinand International (Marketing) Limited (「FIM」)

自本集團於二零零一年收購了一間曾經是英國信譽良好及具發展基礎的公司，Kundo Staiger UK Limited (「KS」)之業務，憑藉KS龐大客戶網絡仍保持為本集團帶來正面貢獻。

FIM乃本集團於英國之全資附屬公司，營業額錄得港幣23,571,000元(二零零二年：港幣18,147,000元)。FIM將繼續加強銷售及市場推廣計劃，並積極開拓歐洲新市場，包括愛爾蘭及荷蘭。FIM於來年將協助在英國市場推出及宣傳本集團品牌產品及照明產品，管理層深信FIM能擴展未來的業務發展。



SUBSIDIARIES (Cont'd)

Wehrle Uhrenfabrik GmbH (“Wehrle”)

Our wholly-owned subsidiary in Germany, Wehrle continues to focus on turning from losses to profits by developing new products, widening customers base, restructuring management and reducing costs.

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

Ultra Good Electroplating Limited (“Ultra Good”)

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

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

Ultra Good recorded a modest decrease in turnover during the year. Against the keen competition, the Management expects to manufacture our own electroplating products so as to squeeze the weaker rivalries out of competition.

附屬公司 (續)

Wehrle Uhrenfabrik GmbH (「Wehrle」)

本集團在德國所屬之全資附屬公司·Wehrle 仍重視發展新產品·擴闊客戶基礎·重整管理架構及降低成本·以轉虧為盈作目標。

本集團會繼續精簡營運架構並重整Wehrle之管理·以作為本集團在發展德國市場之貿易支援·期望Wehrle在來年的表現會有所改善。

特佳電鍍有限公司 (「特佳」)

特佳為本集團及其他客戶提供塑膠及金屬表面電鍍服務·所用金屬包括銅·鎳·鉻及黃金。

特佳之產品品質主要端賴生產技術及勞工技術。

特佳在本年度內之營業額錄得輕微下降。管理層期望可生產本身電鍍產品·將其他在市場內較弱的競爭對手擊退。



SUBSIDIARIES (Cont'd)

Right Time Group, Inc. (“Right Time”)

As part of our market expansion strategy, Right Time has been set up in the US for about 4 years. The main purpose of Right Time is to serve as a key communication bridge between Hong Kong head office and customers in the North America. During the year under review, Right Time recorded a decrease in turnover when facing the unfavorable market environment in the US.

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

附屬公司 (續)

Right Time Group, Inc. (「Right Time」)

作為市場擴充策略的一部份，Right Time已於美國成立約四年。Right Time主要作為與香港總公司及北美洲客戶的重要溝通橋樑。在回顧年度，鑑於美國市場不明朗，Right Time之銷售表現亦錄得下降。

然而，本集團對未來美國市場的潛力仍感希望。除了銷售低檔次「Klik」時鐘產品外，現建議推廣本集團所屬之高檔品牌「Wehrle」以擴展現有市場並爭取在美國市場更多的佔有率。其次，管理層仍深切注視預期的環球經濟復甦，釐訂適當的政策並對市場的轉變作出迅速回應。



SUBSIDIARIES (Cont'd)

Precision Group Limited ("Precision")

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

In line with the worldwide consciousness of saving energy and the trend to use environmental friendly products, the Group will continue to improve and upgrade the functions of the lighting products and apply tighter control over cost and labour in order to increase Precision's profitability.

EMPLOYEES

As at 31 March 2003, the Group had 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.

附屬公司 (續)

Precision Group Limited (「Precision」)

Precision乃負責本集團之照明產品業務，主要從事節能燈及有關配件之製造。而廠房則設於中國深圳。

隨著全球對節約資源的認知，並使用環保產品之趨勢，本集團將繼續改善並提高照明產品之功能，並在成本及人手上施行更有效之監控，以增加Precision之盈利。

僱員

於二零零三年三月三十一日，本集團共有員工2,277名（二零零二年：1,847名）分佈於香港、中國、美國、英國及德國各地。本集團與員工一直保持良好關係。

本集團已採用一套完備的員工培訓政策，並贊助高級行政人員進修高級教育課程。

本集團已採納一項購股權計劃，集團部分員工可享有購股權以認購本公司之股份。



LIQUIDITY & 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
		二零零三年	二零零二年
Within one year	一年內	68.7%	75.6%
In the second year	第二年內	11.3%	1.8%
In the third to fifth years, inclusive	第三年至第五年(包括首尾兩年)	8.5%	4.6%
Beyond five years	超過五年	11.5%	18.0%
Total	總計	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 shareholders 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.

流動資金及財政來源

於二零零三年三月三十一日，本集團之未償還貸款及債務合共港幣53,889,000元（二零零二年：港幣37,482,000元），其中擔保銀行貸款為港幣42,118,000元（二零零二年：港幣34,503,000元），擔保銀行透支為港幣9,058,000元（二零零二年：港幣2,335,000元），無擔保其他貸款為港幣832,000元（二零零二年：無）及財務租約債務為港幣1,881,000元（二零零二年：港幣644,000元），截至二零零三年三月三十一日止需於一年內償還的金額佔總借貸的68.7%（二零零二年：75.6%）。本集團於二零零三年三月三十一日之總借貸之到期詳情分析如下：

本集團之負債比率現處於8.4%（二零零二年：4.6%）之穩健水平。負債比率之計算乃按本集團之長期負債除以於二零零三年三月三十一日之資產淨值。

本集團之財務狀況健全，具有充裕之財務能力以擴展現有業務，並於具策略性增長之業務作多元化發展。



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.

集團資產抵押

本集團之投資物業價值為港幣7,700,000元（二零零二年：港幣8,000,000元），銀行存款為港幣2,907,000元（二零零二年：港幣2,540,000元）及若干租約土地及樓宇及機械及設備已作法定抵押，以致本集團獲得若干銀行貸款。

外匯風險

本集團主要以美元及港元賺取收益及支付費用。鑑於香港特區政府仍然實施港元與美元掛鈎之政策，故此本集團之外匯風險甚低。

由於本集團的主要生產業務所在地位於中國，且大部份支出乃以人民幣結算，故管理層注意到匯兌風險的可能性。作為對沖策略，管理層著重以人民幣借款支付本集團未來投資及資本開支。

庫務政策

本集團一般透過內部資金與香港及國內銀行給予之銀行融資及信貸融資提供其業務運作所需資金。本集團採用之借貸方法主要包括信託收據、透支融資及銀行貸款。所有借貸主要以港元、美元及人民幣為結算單位。上述貸款及透支之利息大部份參照港元最優惠利率或外幣貿易財務利率而釐定，以固定息率計算。



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).

LIANG Jin You

Chairman

Hong Kong, 30 July 2003

收購附屬公司

於二零零二年八月十六日，Artfield Company Limited（「ACL」），一間於英屬處女群島註冊成立之有限公司，並為本集團之全資附屬公司與一位獨立第三者（「賣方」），雙方訂立買賣協議作為ACL收購Lens Trading Inc.（「Lens」），一間於英屬處女群島註冊成立之有限公司之全部已發行股份；據此，ACL同意由賣方購買Lens全部權益，總代價為港幣20,000,000元。Lens之主要業務為提供香港及國內貿易商品之物流及分銷業務。

透過此收購，管理層相信此將會穩定本集團之貿易盈利收入及降低金屬商品之貿易營運風險。配合本集團所採用之長遠垂直綜合貿易營運策略，此亦協助貿易及分銷業務管理，同時減少整體營運成本，從而改善貿易業務之毛利。董事會相信此交易將會擴大本集團之收入基礎之良機，並能配合現有業務之擴展機會。長遠來說，預期貿易及分銷業務將為本集團提供更大利潤貢獻。

或然負債

於二零零三年三月三十一日，本集團並無重大或然負債（二零零二年：港幣517,000元）。

梁金友

主席

香港，二零零三年七月三十日