

CHAIRMAN'S STATEMENT 主席報告

TO ALL SHAREHOLDERS

On behalf of the Board (the "Board") of Artfield Group Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2006 to shareholders.

DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 March 2006 (2005: Nil).

FINANCIAL REVIEW

The Group recorded a turnover of approximately HK\$221,135,000 for the year ended 31 March 2006 (2005: HK\$238,300,000), it represents a reduction of 7.2% or HK\$17,165,000 as compared with last year. The Group recorded a loss for the year of approximately HK\$72,149,000 in the year under review (2005: loss for the year of HK\$2,414,000). The performance of each of the Group's businesses are set out in more details in the Management Discussion and Analysis of the annual report of the Company for the year ended 31 March 2006.

致各位股東

本人謹代表雅域集團有限公司(「本公司」)董事會(「董事會」)欣然向各股東提呈本公司及其附屬公司(統稱「本集團」)截至二零零六年三月三十一日止年度之年報。

股息

截至二零零六年三月三十一日止年度，董事會不建議派發任何股息(二零零五年：無)。

財務回顧

本集團於截至二零零六年三月三十一日止年度錄得營業額約221,135,000港元(二零零五年：238,300,000港元)，較去年下跌7.2%或17,165,000港元。本集團於回顧年度錄得虧損約72,149,000港元(二零零五年：年內虧損2,414,000港元)。本集團各項業務之表現在本公司截至二零零六年三月三十一日止之年報內的管理層討論及分析內有更詳細報告。



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During the year under review, the Group has encountered a difficult operating environment unseen for many years. The cost of materials which the Group used in its manufacturing such as copper, aluminium and plastic resin increased substantially. The Renminbi appreciated with reference to Hong Kong dollars and as the Group's operations are labour intensive, the labour cost surged as a result of labour shortage in the southern delta area of Mainland China and more labour turnover. All these factors lead to an erosion of the gross profit margin of the Group's products as the Group was in most case not able to pass all of the increased cost to customers in view of the severe competition of the market place.

The unfavourable operating environment has posted enormous challenge to the Group's management and taxed on its resources and abilities. The Group had to re-examine its operations and to re-focus on its core business and core competences.

於回顧年度內，本集團面對多年不見之困難經營環境。本集團在製造中使用之原料，例如銅、鋁及塑膠樹脂之成本均顯著上升。人民幣兌港元匯價升值，加上本集團之經營屬勞工密集型，在中國大陸珠江三角洲南部勞工短缺及勞工流動率高的環境下，員工成本急升。所有此等因素均損害本集團產品之毛利率，然而，由於市場競爭激烈，本集團無法將全部上漲之成本轉嫁予顧客。

不利的經營環境使本集團管理層面臨重大挑戰，並對其資源及能力構成壓力。本集團必須重新評估其業務運作，繼而重新專注於其核心業務及核心競爭力。



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In view of the central government of the People's Republic of China (the "PRC") taking tight control on the sales of healthcare products, and the operating environment for the healthcare products in the PRC became more difficult, in February 2006 the Group disposed the 49% equity interests in Success Start Holdings Limited which engaged in the research and development, production and sale of medical and healthcare products in the PRC. Despite of the fact that the disposal resulted in impairment loss of approximately HK\$23.8 million recognised in the current year's results, the consideration for the disposal will bring in a cash flow of HK\$6.0 million for the Group's operations upon completion of the transaction on or before 21 August 2006.

The lighting division of the Group has been operating in a difficult environment with decrease in sale turnover and an increase in operating cost coupled with strong competition in the industry. The Group's effort in improving its profitability have turned out in vain. The Group disposed the manufacturing operations of the lighting business in June 2006 with a view to disposing its unprofitable operations and allowing the Group to reallocate and concentrate its resources on core business and core competences. The disposal of the lighting division will have positive effect on the Group's net current assets in terms of the reduction in trade creditors and the reduction in indebtedness owned by the Group companies to the disposed companies as a result of the waiver by the purchaser.

The Group has recognised that the key to success is to promote and increase sales turnover. It could not be achieved without a strong marketing function and management. The Group has added high calibre personnels in the Hong Kong Marketing Department and in overseas offices with a view to improving cooperation and communication with customers.

The restructure of the USA office was completed with substantial saving in operating cost as compared with the previous year. The Group's Germany office, Wehrle Uhrenfabrik GmbH, was relocated from Black Forest to Bonn in Germany to facilitate trading and retail business.

隨著中華人民共和國(「中國」)中央政府嚴謹控制保健產品之銷售，以及中華人民共和國保健產品市場之經營環境日趨艱困，本集團於二零零六年二月出售成發控股有限公司之49%股本權益。成發控股有限公司乃於中國從事研發、生產及銷售醫療及保健產品。儘管出售事項導致本年度業績錄得出售虧損23,800,000港元，惟交易於二零零六年八月二十一日或之前完成後，出售之代價將為本集團之營運帶來現金流量6,000,000港元。

本集團一直在銷售營業額下跌、經營成本上升，而且競爭激烈之困難環境下經營照明業務，以致本集團改善其盈利能力之努力未能湊效。為出售旗下無利可圖之業務，使本集團能夠重新調配及將資源集中於核心業務及核心競爭力上，本集團於二零零六年六月出售照明業務之生產部分。由於買家豁免，以致能削減貿易應付賬及減少本集團公司於出售公司之債項，出售照明業務將對本集團之流動資產淨值帶來正面影響。

本集團認為促進及提高銷售營業額乃成功之關鍵，其中強大之市場推廣職能及管理層更是不可或缺。為與改善與顧客之合作及通訊，本集團已於香港市場推廣部及海外辦事處增聘優秀人才。

美國辦事處已完成重組，使經營成本較去年大幅下降。本集團之德國辦事處Wehrle Uhrenfabrik GmbH已由德國黑森林搬遷至波恩，以方便進行貿易及零售業務。

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The Group's European businesses (which are mainly carried out by Ferdinand International (Marketing) Limited in the United Kingdom and Wehrle Uhrenfabrik GmbH in Germany) was put into the same management under European Region with the objective of attaining scale operations, better utilization of resources, increasing stock turnover and enhancing sale.

The Group has acquired the entire issued share capital of Matrix Software Inc. which engages in the marketing and development of online computer games in the PRC. While the Group sees the needs to diversify from its existing business for the next phase of growth, the Group considers that the PRC multimedia and internet market is a fast growing market with significant business potential. The acquisition of the online computer games will enable the Group to capture the business potential offered by such promising industry and to expand the Group's current businesses.

The Group has restructured its business in the year under review with pragmatism, determination and dynamism and to focus on its core business and core competence. These measures have laid a firm foundation for the Group's core businesses. The Group shall continue to restructure its businesses should suitable opportunity arise so as to enable the Group to embark the next phase of growth.

APPRECIATION

On behalf of all my fellow directors, I sincerely thank all of our staff for their loyalty, commitment and hard work, and our customers, suppliers and shareholders for their continuing support.

By Order of the Board

LIANG Jin You

Chairman

Hong Kong, 25 July 2006

本集團之歐洲業務（主要由英國之 Ferdinand International (Marketing) Limited及德國之 Wehrle Uhrenfabrik GmbH）已交由歐洲地區之同一管理層管理，務求保持規模經營、更妥善使用資源、提高存貨週轉率及加強銷售。

本集團已收購於中華人民共和國從事網上電腦遊戲市場推廣及開發之 Matrix Software Inc.之全部已發行股本。本集團認為為了進入下一增長期有需要分散其現有業務，本集團亦認為中國之多媒體及互聯網市場乃具有龐大商機之高增長市場。收購網上電腦遊戲將使本集團能夠把握此具有發展前景行業之商機，以及擴展本集團之現有業務。

本集團於回顧年度內以務實、決斷及靈活之態度重組業務，並專注其核心業務及核心競爭力。此等措施為本集團發展核心業務奠定穩固基礎。倘出現合適機會，本集團將繼續重組其業務，以使本集團能夠進入另一增長階段。

致謝

本人謹代表董事會就全體職員之忠誠、投入與勤奮，以及各客戶、供應商和股東不斷的支持致以衷心謝意。

承董事會命

梁金友

主席

香港，二零零六年七月二十五日