YARDWAY GROUP LIMITED
啟帆集團有限公司

(incorporated in the Cayman Islands with limited liability)
(Stock code: 646)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2006

RESULTS

The Board of Directors (the "Board") of Yardway Group Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2006 together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT
(Expressed in Hong Kong dollars)

	Notes	Year ended 31 March 2006 $'000	2005 (restated) $'000
Turnover	3	**189,646**	156,383
Cost of sales/services		**(145,554)**	(122,907)
Gross profit		**44,092**	33,476
Other revenue	4	**3,990**	1,171
Other net (loss)/income	4	**(1,549)**	2,119
Distribution costs		**(16,765)**	(14,731)
Administrative expenses		**(20,187)**	(17,380)
Net surplus on revaluation		**2,194**	5,000
Profit from operations		**11,775**	9,655
Finance costs	5(a)	**(1,693)**	(880)
Profit before taxation	5	**10,082**	8,775
Income tax	6	**(1,501)**	(127)
Profit for the year		**8,581**	8,648
Attributable to:			
Equity shareholders of the Company		**8,496**	8,556
Minority interests		**85**	92
Profit for the year		**8,581**	8,648
Dividends attributable to the year:	7		
Final dividend proposed after balance sheet date		**2,800**	2,800
Earnings per share			
Basic	8	**3.0 cents**	3.1 cents

CONSOLIDATED BALANCE SHEET
At 31 March 2006
(Expressed in Hong Kong dollars)

	Notes	2006 $'000	2005 (restated) $'000
Non-current assets			
Fixed assets			
– Investment properties		**21,410**	21,272
– Other property, plant and equipment		**26,739**	27,321
– Interest in leasehold land held for own use under operating leases		**984**	690
		49,133	49,283
Finance lease receivable		–	98
Deferred tax assets		–	1,312
		49,133	50,693
Current assets			
Trading securities – listed in Hong Kong		**686**	364
Inventories		**14,534**	9,684
Trade and other receivables	9	**59,640**	48,498
Current taxation recoverable		**1,896**	1,846
Finance lease receivable		**98**	111
Pledged bank deposits		**9,032**	6,143
Cash and cash equivalents		**85,451**	69,990
		171,337	136,636
Current liabilities			
Trade and other payables	10	**87,157**	51,109
Bank loans and overdrafts		**16,294**	23,302
Obligations under finance leases		**366**	254
Current taxation		**16**	134
Provision		**99**	143
		103,932	74,942
Net current assets		**67,405**	61,694
Total assets less current liabilities		**116,538**	112,387
Non-current liabilities			
Bank loans and overdrafts		**7,763**	9,342
Obligations under finance leases		**291**	354
Deferred tax liabilities		**87**	89
		8,141	9,785
NET ASSETS		**108,397**	102,602
CAPITAL AND RESERVES			
Share capital		**28,000**	28,000
Reserves		**79,630**	73,920
Total equity attributable to equity shareholders of the Company		**107,630**	101,920
Minority interests		**767**	682
TOTAL EQUITY		**108,397**	102,602

Notes:
(Expressed in Hong Kong dollars)

1. Basis of presentation

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The measurement basis used in the preparation of the financial statements is the historical cost basis except that investment property, leasehold land and buildings, investment in equity securities and derivative financial instruments are stated at their fair value.

2. Changes in accounting policies

The HKICPA has issued a number of new and revised HKFRSs that are effective for accounting periods beginning on or after 1 January 2005. The following sets out information on the significant changes in accounting policies for the current and prior accounting periods reflected in the financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(a) ***Employee share option scheme (HKFRS 2, Share-based payment)***

In prior years, no amounts were recognised when employees (which term includes directors) were granted share options over shares in the Company. If the employees chose to exercise the options, the nominal amount of share capital and share premium were credited only to the extent of the option's exercise price receivable.

With effect from 1 April 2005, in order to comply with HKFRS 2, the Group has adopted a new policy for employee share options. Under the new policy, the Group recognises the fair value of such share options as an expense with a corresponding increase recognised in a capital reserve within equity.

The Group has taken advantage of the transitional provisions set out in HKFRS 2, under which the new recognition and measurement policies have not been applied to the following grants of options:

(a) all options granted to employees on or before 7 November 2002; and

(b) all options granted to employees after 7 November 2002 but which had vested before 1 January 2005.

As the Group's options were granted to employees before 7 November 2002, the adoption of HKFRS 2 has no impact on the Group's net assets and results for the current and prior years.

(b) ***Amortisation of goodwill (HKFRS 3, Business combinations and HKAS 36, Impairment of assets)***

In prior periods, the Group's positive goodwill which arose prior to 1 January 2001 was taken directly to reserves at the time it arose, and was not recognised in the income statement until disposal or impairment of the acquired business.

In accordance with the transitional arrangements under HKFRS 3, goodwill which had previously been taken directly to reserves (i.e. goodwill which arose before 1 January 2001) will not be recognised in profit or loss on disposal or impairment of the acquired business, or under any other circumstances.

The change in accounting policy relating to goodwill had no effect on the financial statements.

(c) ***Changes in presentation of minority interests (HKAS 1, Presentation of financial statements and HKAS 27, Consolidated and separate financial statements)***

In prior years, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and as a deduction from net assets. Minority interests in the results of the Group for the year were also separately presented in the income statement as a deduction before arriving at the profit attributable to shareholders (the equity shareholders of the Company).

With effect from 1 April 2005, in order to comply with HKAS 1 and HKAS 27, the Group has changed its accounting policy relating to presentation of minority interests. Under the new policy, minority interests are presented as part of equity, separately from interests attributable to the equity shareholders of the Company. These changes in presentation have been applied retrospectively with comparatives restated accordingly.

(d) ***Leasehold land and building (HKAS 17, Leases)***

In prior years, leasehold land and buildings held for own use were stated at revalued amounts less accumulated depreciation and accumulated impairment losses. Movements of revaluation surpluses or deficits were normally taken to the land and buildings revaluation reserve.

With effect from 1 April 2005, in order to comply with HKAS 17, the Group has adopted a new policy for leasehold land and buildings held for own use. Under the new policy, the leasehold interest in the land held for own use is accounted for as being held under an operating lease where the fair value of the interest in any buildings situated on the leasehold land could be measured separately from the fair value of the leasehold interest in the land at the time the lease was first entered into by the Group, or taken over from the previous lessee, or at the date of construction of those buildings, if later.

In case the two elements cannot be allocated reliably, the entire lease is classified as a finance lease and carried at revalued amount. The adoption of this new policy has no impact on the Group's net assets and results of the current and prior years.

(e) ***Financial instruments (HKAS 32, Financial instruments: Disclosure and presentation and HKAS 39, Financial instruments: Recognition and measurement)***

With effect from 1 April 2005, in order to comply with HKAS 32 and HKAS 39, the Group has changed its accounting policies relating to financial instruments.

(i) *Investments in debt and equity securities*

In prior years, equity investments held on a continuing basis for an identifiable long-term purpose were classified as investment securities and stated at cost less provision. Other investments in securities (including those held for trading and for non-trading purposes) were stated at fair value with changes in fair value recognised in profit or loss.

With effect from 1 April 2005, and in accordance with HKAS 39, all investments, with the exception of securities held for trading purposes, dated debt securities being held to maturity and certain unquoted equity investments, are classified as available-for-sale securities and carried at fair value. There are no material adjustments and classification arising from the adoption of the new policies for securities held for trading purposes for the year.

(ii) *Derivative financial instruments*

In prior years, derivative financial instruments entered into by management to hedge the foreign currency risk of a committed future transaction were recognised on an accruals basis with reference to the timing of recognition of the hedged transaction.

With effect from 1 April 2005, and in accordance with HKAS 39, all derivative instruments (i.e. forward exchange contracts) entered into by the Group are stated at fair value. Changes in the fair value of the derivatives are recognised in profit or loss.

This change in accounting policy was adopted by way of an adjustment to the opening balance of the retained earnings as at 1 April 2005 and net assets of the Group has decreased by $326,000. Comparative amounts have not been restated as this is prohibited by the transitional arrangements in HKAS 39. As a result of this new policy, the Group's profit before taxation for the year ended 31 March 2006 has increased by $326,000.

(f) ***Investment property (HKAS 40, Investment property and HK(SIC) Interpretation 21, Income taxes - Recovery of revalued non-depreciable assets)***

Changes in accounting policies relating to investment properties are as follows:

(i) *Timing of recognition of movements in fair value in the income statement.*

In prior years, movements in fair values of the Group's investment properties were recognised directly in the investment properties revaluation reserve except when, on a portfolio basis, the reserve was insufficient to cover a deficit on the portfolio, or when a deficit previously recognised in the income statement had reversed, or when an individual investment property was disposed of. In these limited circumstances movements in the fair value were recognised in the income statement.

Upon the adoption of HKAS 40 as from 1 April 2005, all changes in the fair values of investment properties are recognised directly in the income statement in accordance with the fair value model in HKAS 40. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

The Group has applied the new policy retrospectively by increasing the opening balance of retained earnings as of 1 April 2005 by $1,881,000 (1 April 2004: $Nil) to include all of the Group's previous investment properties revaluation reserve. There is no net effect to the opening net assets as of 1 April 2005 or 1 April 2004 as a result of the adoption of HKAS 40.

As a result of adoption HKAS 40, the Group's profit for the year has increased by $1,910,000 (2005: $1,881,000) with a corresponding decrease in the revaluation reserves.

(ii) *Measurement of deferred tax on movements in fair value*

In prior years, the Group was required to apply the tax rate that would be applicable to the sale of investment properties to determine whether any amounts of deferred tax should be recognised on the revaluation of investment properties. Consequently, deferred tax was only provided to the extent that tax allowances already given would be clawed back if the property were disposed of at its carrying value, as there would be no additional tax payable on disposal.

As from 1 April 2005, in accordance with HK(SIC) Interpretation 21, the Group recognises deferred tax on movements in the value of an investment property using tax rates that are applicable to the property's use, if the Group has no intention to sell it and the property would have been depreciable had the Group not adopted the fair value model.

The change in accounting policy has been adopted retrospectively by reducing the opening balance of retained profits as of 1 April 2005 by $329,000 (1 April 2004: $Nil) and increasing deferred tax liabilities by the same amount. As a result of this new policy, the Company's tax expense for the year ended 31 March 2006 has increased by $437,500 (2005: $329,000).

(g) ***Definition of related parties (HKAS 24, Related party disclosures)***

As a result of the adoption of HKAS 24, Related party disclosures, the definition of related parties has been expanded to clarify that related parties include entities that are under the significant influence of a related party that is an individual (i.e. key management personnel, significant shareholders and/or their close family members) and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group. The clarification of the definition of related parties has not resulted in any material changes to the previously reported disclosures of related party transactions nor has it had any material effect on the disclosures made in the current period, as compared to those that would have been reported had SSAP 20, Related party disclosures, still been in effect.

3. **Turnover and segmental information**

The principal activities of the Group are trading of vehicles, machinery, equipment, yachts and spare parts and provision of engineering services.

Turnover represents the sales value of goods supplied to customers, service income and commission income. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2006	2005
	$'000	*$'000*
Sales of goods	**159,125**	129,972
Service income	**11,215**	9,921
Commmission income	**19,306**	16,490
	189,646	156,383

An analysis of the Group's revenue and results for the year by business and geographical segments respectively is as follows:

Business segments

The Group comprises the following main business segments:

Sales and distribution activities

– The trading of airport ground support equipment, railway maintenance equipment, coaches and trucks and yachts.

Provision of engineering services and sales of spare parts

– The provision of engineering services and sales of spare parts.

	Sales and distribution		Provision of engineering services and sales of spare parts		Unallocated		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005 (restated)
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Revenue from external customers	**145,528**	127,678	**44,118**	28,705	**–**	–	**189,646**	156,383
Other revenue from external customers	**–**	–	**–**	–	**3,990**	1,171	**3,990**	1,171
Total	**145,528**	127,678	**44,118**	28,705	**3,990**	1,171	**193,636**	157,554
Segment results	**10,681**	7,816	**3,444**	1,307			**14,125**	9,123
Unallocated operating income and expenses							**(2,350)**	532
Profit from operations							**11,775**	9,655
Finance costs							**(1,693)**	(880)
Taxation							**(1,501)**	(127)
Profit after tax							**8,581**	8,648
Depreciation and amortisation for the year	**779**	1,543	**221**	136	**2,245**	1,170		
Provision of inventories	**–**	–	**900**	300	**–**	–		
Impairment loss on trade receivables	**37**	422	**–**	–	**–**	–		
Segment assets	**149,933**	134,971	**31,951**	22,120			**181,884**	157,091
Unallocated assets							**38,586**	30,238
Total assets							**220,470**	187,329
Segment liabilities	**87,701**	68,071	**12,605**	2,998			**100,306**	71,069
Unallocated liabilities							**11,767**	13,658
Total liabilities							**112,073**	84,727
Capital expenditure incurred during the year	**132**	1,893	**761**	662	**2,214**	1,751		

Geographical segments

The Group's business is managed on a worldwide basis, but participates in three principal economic environments.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers, Segment assets and capital expenditure are based on the geographical location of the assets.

	Hong Kong		The PRC		The United States of America		Others	
	2006	2005 (restated)	**2006**	2005	**2006**	2005	**2006**	2005
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Revenue from external customers	**46,298**	31,931	**134,335**	112,289	**6,802**	2,553	**2,211**	9,610
Segment assets	**179,811**	156,949	**38,792**	28,074	**–**	–	**1,867**	2,306
Capital expenditure incurred during the year	**1,765**	2,733	**1,342**	1,573	**–**	–	**–**	–

4. **Other revenue and other net (loss)/income**

	2006	2005
	$'000	*$'000*
Other revenue		
Gross rental income from investment properties	**1,740**	246
Interest income	**1,343**	588
Royalty income	**390**	172
Dividend income from listed securities	**20**	–
Others	**497**	165
	3,990	1,171
Other net (loss)/income		
Exchange (loss)/gain, net	**(2,059)**	2,112
Gain on sale of fixed assets	**482**	27
Net gain/(loss) on sale of trading securities	**1**	(16)
Net unrealised gain/(loss) on trading securities carried at fair value	**27**	(4)
	(1,549)	2,119

5. **Profit before taxation**

Profit before taxation is arrived at after charging/(crediting):

	2006	2005
	$'000	*$'000*
(a) *Finance costs*		
Interest on bank advances and bank borrowings repayable within five years	**1,248**	539
Interest on bank advances and bank borrowings repayable after five years	**392**	302
Finance charges on obligations under finance leases	**53**	39
	1,693	880
(b) *Staff costs*		
Contributions to defined contribution plans	**969**	883
Salaries, wages and other benefits	**18,488**	18,928
	19,457	19,811
(c) *Other items*		
Amortisation of land lease premium	**27**	14
Depreciation		
– owned fixed assets	**2,785**	2,484
– assets held for use under finance leases	**433**	351
Increase in provision	**64**	80
Auditors remuneration		
– audit services	**796**	783
– other services	**44**	22
Net loss on forward exchange contract	**329**	–
Operating lease charges in respect of properties:		
– minimum lease payments	**1,862**	1,336
Rentals receivable from investment properties less direct outgoings of $132,000 (2005: $10,000)	**(1,608)**	(236)
Cost of inventories	**137,970**	113,956

6. **Income tax**

	2006	2005
	$'000	*$'000* (restated)
Current tax – Hong Kong Profits Tax		
Provision for the year	**82**	88
Under-provision in respect of prior years	**2**	425
	84	513
Current tax – PRC		
Provision for the year	**139**	61
Deferred tax		
Origination and reversal of temporary differences	**1,278**	(447)
	1,501	127

The provision for Hong Kong Profits Tax for 2006 is calculated at 17.5% (2005:17.5%) of the estimated assessable profits for the year. PRC taxation is charged at the appropriate current rate of taxation ruling in the PRC.

7. **Dividends**

(a) Dividends payable to equity shareholders of the Company attributable to the year:

	2006	2005
	$'000	*$'000*
Final dividend proposed after the balance sheet date of 1 cent per ordinary share (2005: 1 cent per ordinary share)	**2,800**	2,800

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:

	2006	2005
	$'000	*$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of 1 cent per ordinary share (2005: Nil)	**2,800**	–

8. **Earnings per share**

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $8,496,000 (2005 (restated): $8,556,000) and the weighted average number of 280,000,000 ordinary shares (2005: 280,000,000 ordinary shares) in issue during the year.

The diluted earnings per share is not presented as all the potential ordinary shares are anti-dilutive for the years ended 31 March 2005. There were no potential dilutive ordinary shares in issues as at 31 March 2006.

9. **Trade and other receivables**

	2006	2005
	$'000	*$'000*
Trade and bills receivables	**34,285**	28,456
Retentions receivable	**6,411**	7,658
Prepayments, deposits and other receivables	**18,279**	12,203
Amount due from a related company	**256**	181
Amount due from a jointly controlled entity	**409**	–
	59,640	48,498

All of the trade and other receivables (including amounts due from related company and the jointly controlled entity), apart from certain retentions receivable are expected to be recovered within one year.

Included in trade and other receivables are trade and bills receivables (net of impairment losses for bad and doubtful debts) with the following ageing analysis as of the balance sheet date:

	2006	2005
	$'000	*$'000*
Current	**21,965**	16,703
1 to 3 months overdue	**8,866**	7,017
More than 3 months overdue but less than 12 months overdue	**1,969**	2,637
More than 12 months overdue	**1,485**	1,459
	34,285	27,816
Bills receivable	**–**	640
	34,285	28,456

Retentions receivable are amounts which are not paid until the satisfaction of conditions specified in the contract for the payment of such amounts. The amount of these retentions expected to be recovered after more than one year is $2,675,000 (2005: $1,186,000).

Included in trade and other receivables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	2006	2005
	$'000	*$'000*
United States Dollars	**USD3,798**	USD2,522
Euros	**EUR712**	EUR1,077
Renminbi Yuan	**RMB11,283**	RMB6,676

10. **Trade and other payables**

	2006	2005
	$'000	*$'000*
Trade and bills payable	**58,413**	41,534
Sales deposits received	**24,403**	7,022
Other payables and accruals	**4,013**	2,553
Amount due to a related company	**328**	–
	87,157	51,109

All trade and other payables are expected to be settled within one year. Included in trade and other payables are trade and bills payables with the following ageing analysis as of the balance sheet date.

	2006	2005
	$'000	*$'000*
Due within 1 month or on demand	**18,729**	29,561
Due after 1 month but within 3 months	**12,453**	2,683
Due after 3 months but within 6 months	**6,601**	3,208
Due after 6 months but within 1 year	**8,155**	5,080
	45,938	40,532
Bills payable	**12,475**	1,002
	58,413	41,534

Included in trade and bills payable are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	2006	2005
	$'000	*$'000*
United States Dollars	**USD6,612**	USD4,197
Euros	**EUR1,539**	EUR897
Renminbi Yuan	**RMB17,570**	RMB2,730
Swiss Francs	**CHF18**	CHF499

11. **Comparative figures**

Certain comparative figures have been adjusted or re-classified as a result of the changes in accounting policies.

DIVIDEND

The directors have resolved to recommend the payment of a final dividend of HK1 cent per ordinary share (2005: HK1 cent per ordinary share) in respect of the year ended 31 March 2006 subject to the shareholders approval at the forthcoming Annual General Meeting to be held on 22 August 2006. The final dividend will be paid on 31 August 2006 to shareholders whose names appear on the register of members of the Company on 22 August 2006.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 16 August 2006 to 22 August 2006, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend and entitle to attend and vote at the forthcoming annual general meeting to be held on 22 August 2006, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrars of the Company, Standard Registrars Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 15 August 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

The turnover of the Group for the year ended 31 March 2006 amounted to HK$189,646,000, an increase of 21% from last year's turnover of HK$156,383,000. The Group recorded a net profit attributable to equity shareholders for the year ended 31 March 2006 amounted to approximately HK$8,496,000, representing a slight decrease of 0.7% when compared to HK$8,556,000 as restated in last year.

Business review

The Group benefited from the continuous growth progress in the PRC market. Turnover of the Group was reported at approximately HK$189,646,000, representing an increase of 21% as compared to last year. The increase in turnover was mainly attributable to the completion of a few large value and sizeable projects for railway maintenance equipment. Thanks to the continuous economic growth and the infrastructure development of the railway system in the PRC, the Group recorded a growth contribution from the railway maintenance equipment business. The Group also benefited from the income of the new business sector of the exporting of Seabed Dredging equipment. Despite the competition for airport ground support equipment was still very keen during the year under review, the Group still strived to record a sales growth.

During the year under review, the distribution costs and administrative expenses increased by approximately HK$2,034,000 and HK$2,807,000 respectively as compared to last year. Such increase in distribution costs was mainly attributable to additional operation costs incurred for the PRC offices during the year. The increase in administrative expenses was mainly driven by the increase in depreciation, rental and staff costs. Finance costs for the Group amounted to approximately HK$1,693,000 in 2006, representing an increase of 92%. The increase is attributable to the increase in average interest rate during the year under review.

The change in fair value of investment properties arose from the appreciation of the value of the premises located in Hong Kong. The premises have been rented to the independent third party and generated a steady rental income to the Group.

The Company's wholly owned subsidiary entered into an agreement with an independent third party on 6 March 2006 to acquire 40% equity interests in Baotou North-Benchi Coach Manufacturing Co. Ltd. ("Baotou Co."). Baotou Co is principally engaged in the development, manufacture and sale of chassis of coaches and components vehicles, the provision of relevant repair and maintenance services, processing services, technical services and consultation in the PRC. The Directors believe that the acquisition diversifies and expands the Group's existing business and is expected to broaden the bases for generating more stable revenue for the Group.

Prospects

Looking ahead, the Directors believe that the PRC economy will continue to register strong growth. This will continue to provide strong growth momentum for the Group. The Management is positive towards the Group's performance for the future.

The Group will continue to focus on its core business. The Group will re-engineer its several divisions in order to make the division more efficient and put more resources on the high growth business and to strengthening our marketing activities for new products.

In order to capture the opportunities in the PRC market, the Group has incorporated a wholly owned subsidiary in Beijing, the PRC. This subsidiary will principally engage in the sales and distribution of mechanical equipment, engines, railway maintenance equipment, design, development and related technical consultation services. In addition, to facilitate our assembly and product development activities, we have commenced in April 2006, the construction of a new factory complex in Zhuhai, the PRC and it is expected to be completed in the last quarter of 2006.

For the year ahead, the Group will further develop its new business with Vosta LMG. The Group will establish a joint venture with Vosta LMG in the field of seabed dredging industry, both for the PRC and for worldwide export distribution, after sales services, production, sourcing, and purchases in the PRC. With China's entry into the World Trade Organisation, coupled with the increasing affluence of society, the Group is optimistic of the continuous growth in the coming years.

Appreciation

The Directors and Management would like to take this opportunity to extend their sincere gratitude to our shareholders, customers, suppliers, bankers for their continued support and all our staff members for their hard work and dedicated services to the Group during the year under review.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2006, the Group employed 109 (2005: 101) staff in Hong Kong and the PRC. The Group remunerates its employees based on their performance, work experience and the prevailing market price. The remuneration packages include basic salary, double pay, commission, insurance and mandatory provident fund. Share options might also be granted to eligible employees of the Group. The packages are reviewed annually by the management and the Remuneration Committee.

LIQUIDITY AND FINANCIAL RESOURCES

Liquidity

The Group continued to maintain a liquid position. As at 31 March 2006, cash and bank balances including pledged fixed deposits of the Group were HK$94,483,000 (2005: $76,133,000). The cash and bank balances consisted of about 69% in US dollars, 9% in Euro, 9% in RMB, 8% in Hong Kong dollars and 5% in other currencies.

As at 31 March 2006, the Group's total assets of approximately HK$220,470,000 (2005 (restated): HK$187,329,000) were financed by liabilities of approximately HK$112,073,000 (2005 (restated): HK$84,727,000) and shareholders' equity of approximately HK$108,397,000 (2005 (restated): HK$102,602,000). As at 31 March 2006, the current ratio was 1.65 (2005: 1.82), calculated on the basis of current assets of HK$171,337,000 over current liabilities of HK$103,932,000.

The Group's bank borrowings amounted to approximately HK$24,057,000 (2005: HK$32,644,000). The Group's borrowings, denominated in Hong Kong dollars, United States dollars and Euro, mainly comprise invoice financing loans and mortgage loans bearing floating interest rates. The Group's gearing ratio, based on the total borrowings to total assets, was 11% (2005: 18%).

Foreign exchange exposure and hedging

The Group mainly earns revenue in United States dollars, Renminbi and Hong Kong dollars while incurs the costs in Euro. As such, the Group is exposed to foreign exchange risk. The Group made use of forward contracts to hedge its foreign exchange exposure in order to reduce net exposure to currency fluctuations.

Charge on assets

As at 31 March 2006, the Group's land and buildings and investment properties with an aggregate carrying value amounting to HK$28,500,000 (2005: HK$28,100,000) and bank deposits of HK$9,032,000 (2005: HK$6,143,000) were pledged with the banks to secure banking facilities granted to the Group. Included in pledged bank deposits are denominated in RMB 3,083,000 which are pledged by the Group's wholly owned subsidiary in Zhuhai, the PRC.

CONTINGENT LIABILITIES

At 31 March 2006, the Group provided guarantees in favour of third parties (representing customers and potential customers) for performing duties and quality assurance amounting to HK$Nil (2005: HK$2,435,000) and HK$24,638,000 (2005: HK$13,559,000) respectively.

PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S LISTED SHARES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 March 2006.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), throughout the year ended 31 March 2006 except for the following deviations:

Code Provision A2.1 stipulates that the roles of Chairman and Chief Executive Office should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and Chief Executive Officer should be clearly established and set out in writing.

The Company does not have the position of Chief Executive Officer but have the position of Managing Director. The positions of the Chairman and Managing Director are held by Mr. Fong Kit Wah, Alan. There are no written terms on the general division of responsibilities between the Chairman and Managing Director. The Board considers that the responsibilities of the Chairman and the Managing Director are clear and distinctive and hence written terms thereof are not necessary. The Board believes that vesting the roles of both Chairman and Managing Director in the same person provides the Company with strong and consistent leadership allows for effective and efficient planning and implementation of business decisions and strategies.

Code Provision A4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

There is no service contract between the Company and the existing non-executive directors (including the independent non-executive directors). Although the non-executive directors are not appointed for a specific term, all directors of the Company are subject to retirement by rotation once every three years pursuant to the Company's Articles of Association.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and with the knowledge of the board of the Company as at the date of this announcement, the Company has maintained the prescribed public float under the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors by Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 March 2006.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors. The audit committee has reviewed with the management and the Company's external auditors the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting process including the review of the financial statements for the year ended 31 March 2006.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

This results announcement is published on the website of the Stock Exchange (www.hkex.com.hk). The Company's Annual Report 2006 will be despatched to the shareholders and available on the same website in due course.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises Mr. Fong Kit Wah, Alan, Mr. Rourke James Grierson and Ms. Cheung Miu Sin as the executive directors, Mr. Yin Jie as the non-executive director and Mr. Wong Man Chung, Francis, Mr. Chan Ting Kwong and Ms. Fung Siu Wan as the independent non-executive directors.

By Order of the Board
Fong Kit Wah, Alan
Chairman and Managing Director

Hong Kong, 18 July 2006