

Management Discussion and Analysis

RESULTS OVERVIEW

Turnover of the Group for the year ended 31 March 2002 was HK\$226,143,000, representing approximately 43% increase as compared to that of the year 2001. The increase was primarily due to a few large international competitive projects procured last year which were complete in early 2002.

The Group recorded a profit attributable to shareholders for the year ended 31 March 2002 of HK\$25,664,000 as compared with a net profit of HK\$24,526,000 as recorded for the year 2001. This was mainly attributable to the significant profit contribution from railway maintenance equipment. For the year under review, the deficit arising from the revaluation of the Group's properties on 31 March 2002 was HK\$3,001,000.

BUSINESS OVERVIEW

The Group's backbone business can be divided into three categories:

1. Railway maintenance equipment;
2. Airport ground support equipment; and
3. Coaches and trucks

Among the above three main categories, sales performance of the first two businesses are satisfactory, accounting for 59.2% of total turnover. This was primarily attributable to the Group completed a few large projects which were the revenue contributors during the year under review. The Directors believe that PRC's tremendous economic growth and corresponding demand for transported related equipment will benefit the Group in the long run.

During the year under review, sales of coaches and trucks are decreased by 63.7% to HK\$14,705,000 due to the general economy slowdown in Hong Kong. The Group had exercised stringent control on the operating expenses in order to maintain its competitive edge.

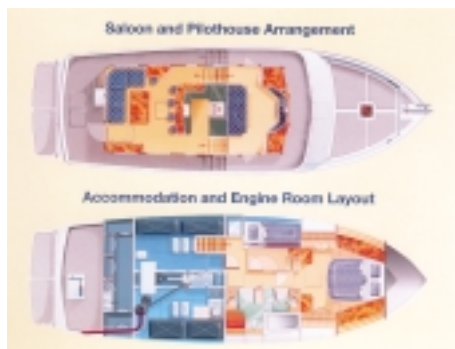
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In addition, the Group provides engineering services for Neoplan buses and Iveco commercial vehicles in Hong Kong. For the year under review, sales of engineering services amounted to HK\$38,275,000, an increase of 29.5% as compared to the previous year.



During the year under review, sales of luxury yachts recorded encouraging growth. Sales increased by 14.9%, amounting to HK\$30,590,000.

LIQUIDITY AND FINANCIAL RESOURCES



The Group finances its operations from internal generated funds and banking facilities. For the year under review, the Group continued to maintain a healthy financial position. As at 31 March 2002, total assets of the Group were HK\$206,284,000, 68.1% up from HK\$122,722,000 a year ago.

The gearing ratio of the Group was approximately 17% (2001: 17%), calculated on the basis of the Group's total borrowings over total assets at the year end date. The current ratio improved from 1.4 to 1.7. As at 31 March 2002, the Group had total cash and bank balances of approximately HK\$78,482,000, against a total bank borrowings of HK\$34,886,000. An interest coverage ratio of 21.9 times, reflects the Group's strong ability to service its borrowings.



The Group closely monitored its foreign currency exposure and hedged such exposure arising from major contracts entered into by the Group denominated in foreign currencies through the use of short-term forward foreign exchange contracts during the year under review.

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EMPLOYEES

As at 31 March 2002, the Group employed about 127 staff. Staff remuneration packages are normally reviewed annually. The Group provides other staff benefits include double pay, share option scheme, insurance and medical benefits. As at the date hereof, no share options have been granted under the share option scheme.

APPLICATION OF PROCEEDS

The initial public offering of new shares of the Company on 28 March 2002 raised net proceeds of approximately HK\$32 million after deducting all related expenses. The Directors will apply the net proceeds as follows:

- approximately HK\$4 million for the expansion of the sales and marketing team in both Hong Kong and the PRC;
- approximately HK\$5 million for the expansion of the Group's after sale services, including acquiring and upgrading in-house facilities and the recruitment of additional engineers;
- approximately HK\$5 million for the setting up of additional representative offices in the PRC;
- approximately HK\$8 million for the setting up of a joint venture in the PRC to engage in manufacturing, assembling and integrating railway maintenance equipment and related systems;
- approximately HK\$2 million for the promotion of the Group's corporate profile by participating in relevant exhibitions and organising seminars introducing new equipment to potential customers; and
- the remaining proceeds as general working capital of the Group.

The net proceeds of HK\$32 million from the new issue and the placing is currently placed on short term deposits with various banks.