MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

During the year under review, the Group recorded a turnover of approximately HK$156,383,000, representing a 32% decrease from last year's turnover of HK$228,507,000. The profit attributable to shareholders for the year ended 31 March 2005 amounted to approximately HK$7,004,000, representing a turnaround from last year's loss of HK$4,355,000.

BUSINESS REVIEW

The year under review was a challenging year for the Group. The Euro currency remained strong and reached its historical high record at the beginning of the financial year. As such, the Group was exposed to exchange rate fluctuation. Turnover of the Group was reported at approximately HK$156,383,000 and net profitable attributable to shareholders was approximately HK$7,004,000. The decrease in turnover was mainly due to the decrease in sales of yachts and trucks and engineering services and the decrease in trading basis. In addition, the warranty services for the major parts of the buses' components had expired which resulted in the decline for the engineering service income.

Although the turnover had dropped, the Group had a turnaround in its result from a loss in last year to a profit for the year under review. The significant increase in commission income as compared with last year had alleviated the impact of the increasing exchange rate in Euro and improved our margin. Thanks to the booming of property markets in Hong Kong and China during the year under review, a surplus on revaluation of HK$3,119,000 and HK$6,208,000 was credited to the consolidated income statement and dealt with in property revaluation reserves respectively.

During the year under review, the Group relocated its service centre from Fanling to Yuen Long as a measure to minimize the costs. The workshop at Fanling has leased out in order to enable the Group to have higher return and recurrent revenue from the rental income. Operating costs for the year ended 31 March 2005 totalled HK$32,111,000, a decrease of 16% compared to HK$38,249,000 for the previous year. This reflected the Group's efforts on reducing its overheads in order to maintain its competitive edge.

MOVING FORWARD

In the coming year, the general business outlook for the Group is positive. The management believes that the best way to safeguard the Group's profitability is to further procure some new and recurrent income businesses.

For the year to come, the continuous economic progress in China market as well as the increasing demands for the railway maintenance equipment, the Group's management believes that the Group will benefit from the growth of economy. Driving on years of experience in the industry, the Group will continue introducing advanced and quality brands from overseas in order to keep abreast of the market development and trend. The Group will concentrate on trading of products with high profit margin. The Group will also consider various business opportunities in China and the Group is on the lookout for any business opportunities which can provide a stable income to the Group.

APPRECIATION

The Directors and management would like to express their gratitude to our customers and shareholders for their continued support and all our staff members for their hard work and dedicated services to the Group during the year.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2005, the Group employed 101 (2004: 111) staff in Hong Kong and the People's Republic of China ("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 remuneration packages are reviewed annually by the management.

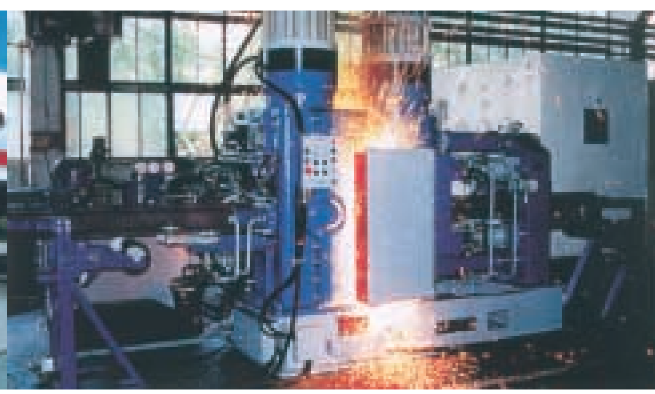
LIQUIDITY AND FINANCIAL RESOURCES

Liquidity

The Group had a solid balance sheet. As at 31 March 2005, cash and bank balances including pledged fixed deposits of the Group were HK$76,133,000 (2004: HK$70,441,000). The cash and bank balances consisted of about 50% in US dollars, 20% in Euro, 19% in Hong Kong dollars and 11% in other currencies.

As at 31 March 2005, the Group's total assets of approximately HK$187,591,000 (2004: HK$195,425,000) were financed by liabilities of approximately HK$84,660,000 (2004: HK$105,799,000) and shareholders' equity of approximately HK$102,249,000 (2004: HK$89,037,000). As at 31 March 2005, the current ratio was 1.82 (2004: 1.62), calculated on the basis of current assets of HK$136,636,000 over current liabilities of HK$74,942,000.

The Group's bank borrowings amounted to approximately HK$32,644,000 (2004: HK$24,161,000). 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 18% (2004: 13%).



Foreign exchange exposure and hedging

The Group mainly earns revenue in United States dollars, Renminbi and Hong Kong dollars while incurs 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. As at 31 March 2005, the Group had total outstanding forward foreign exchange contracts amounting to approximately HK$11,547,000 (2004: HK$45,063,000).

Pledge of assets

As at 31 March 2005, the Group's leasehold land and buildings and investment properties situated in Hong Kong with an aggregate net book value amounting to HK$28,100,000 (2004: HK$19,100,000) and bank deposits of HK$6,143,000 (2004: HK$10,885,000) were pledged with the banks to secure banking facilities granted to the Group.