1 PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (which includes all applicable Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These 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 ("SEHK"). A summary of the principal accounting policies adopted by the group is set out below.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is historical cost modified by the marking to market of trading securities and, the revaluation of investment properties and leasehold land and buildings as explained in the accounting policies set out below.

(c) Subsidiaries

A subsidiary is an enterprise controlled by the company.

Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

An investment in a controlled subsidiary is consolidated into the consolidated financial statements, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the group, in which case it is stated in the consolidated balance sheet at fair value with changes in fair value recognised in the consolidated income statement as they arise.

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet separately from liabilities and the shareholders' equity. Minority interests in the results of the group for the year are also separately presented in the income statement.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(c) Subsidiaries (continued)

Where losses attributable to the minority exceed the minority interest in the net assets of a subsidiary, the excess, and any further losses attributable to the minority, are charged against the group's interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses. All subsequent profits of the subsidiary are allocated to the group until the minority's share of losses previously absorbed by the group has been recovered.

In the company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 1(k)), unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the company, in which case, it is stated at fair value with changes in fair value recognised in the income statement as they arise.

(d) Goodwill

Positive goodwill arising on acquisition represents the excess of the cost of the acquisition over the fair value of the identifiable assets and liabilities acquired. In respect of the business operations:

– for acquisitions before 1 April 2001, positive goodwill is written off immediately to capital reserve and is reduced by impairment losses (see note 1(k)); and

– for acquisitions on or after 1 April 2001, positive goodwill is stated in the balance sheet at cost less any accumulated amortisation and any impairment losses (see note 1(k)). Positive goodwill is amortised to the income statement on a straight-line basis over its estimated useful life.

On disposal of the business operations during the year, any attributable amount of purchased goodwill not previously amortised through the income statement or which has previously been dealt with as a movement in reserve is included in the calculation of the profit or loss on disposal.

(e) Trading securities

Trading securities are stated in the balance sheet at fair value. Changes in fair value are recognised in the income statement as they arise. Trading securities were acquired principally for the purpose of generating a profit from short-term fluctuation in price or dealer's margin.

Profits or losses on disposal of trading securities are determined as the difference between the estimated net disposal proceeds and the carrying amount of the investment and are accounted for in the income statement as they arise.

(f) Lease prepayment

Lease prepayment represents land use right paid to the PRC's land bureau. Land use right is carried at cost and is written off on a straight-line basis over the period of the right of 50 years.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(g) Fixed assets

(i) Fixed assets are carried in the balance sheet on the following bases:

– investment properties with an unexpired lease term of more than 20 years are stated in the balance sheet at their open market value which is assessed annually by external qualified valuers;

– leasehold land and buildings are stated in the balance sheet at their revalued amount, being their open market value at the date of revaluation less any subsequent accumulated depreciation (see note 1(j)). Revaluations are performed by qualified valuers with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the balance sheet date; and

– other fixed assets are stated in the balance sheet at cost less accumulated depreciation (see note 1(j)) and impairment losses (see note 1(k)).

(ii) Changes arising on the revaluation of investment properties and leasehold land and buildings are generally dealt with in reserves. The only exceptions are as follows:

– when a deficit arises on revaluation, it will be charged to the income statement, if and to the extent that it exceeds the amount held in the reserve in respect of that same asset, or, solely in the case of investment properties, the portfolio of investment properties, immediately prior to the revaluation; and

– when a surplus arises on revaluation, it will be credited to the income statement, if and to the extent that a deficit on revaluation in respect of that same asset, or, solely in the case of investment properties, the portfolio of investment properties, had previously been charged to the income statement.

(iii) Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(iv) Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the income statement on the date of retirement or disposal. On disposal of an investment property, the related portion of surpluses or deficits previously taken to the investment properties revaluation reserve is also transferred to the income statement for the year. For all other fixed assets, any related revaluation surplus is transferred from the revaluation reserve to retained profits.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(h) Construction in progress

Construction in progress is stated at cost less impairment losses (see note 1(k)). Construction in progress is transferred to fixed assets when substantially all of the activities necessary to prepare the assets for their intended use are complete.

No depreciation is provided in respect of construction in progress until it is substantially complete and ready for its intended use.

(i) Leased assets

Leases of assets under which the lessee assumes substantially all the risks and benefits of ownership are classified as finance leases. Leases of assets under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases.

(i) Assets acquired under finance leases

Where the group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets in equal annual amounts over the term of the relevant lease or, where it is likely the company or the group will obtain ownership of the asset, the life of the asset, as set out in note 1(j). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(k). Finance charges implicit in the lease payments are charged to the income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(ii) Finance leases receivables

Where the group leases out assets under finance leases, an amount representing the net investment in the lease is included in the balance sheet as a receivable. Finance income implicit in the lease payments is credited to the income statement over the period of the leases so as to produce an approximately constant periodic rate of return on the outstanding net investment in the leases for each accounting period.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(i) Leased assets (continued)

(iii) Assets held for use in operating leases

Where the group leases out assets under operating leases, the assets are included in the balance sheet according to their nature and, where applicable, are depreciated in accordance with the group's depreciation policies, as set out in note 1(j). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(k). Revenue arising from operating leases is recognised in accordance with the group's revenue recognition policies as set out in note 1(q)(ii).

(iv) Operating lease charges

Where the group has the use of assets under operating leases, payments made under the leases are charged to the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made.

(j) Depreciation

(i) No depreciation is provided on investment properties with an unexpired lease term of over 20 years.

(ii) Depreciation is calculated to write off the cost or valuation of other fixed assets over their estimated useful lives as follows:

– leasehold land is depreciated on a straight-line basis over the remaining term of the lease;

– buildings are depreciated on a straight-line basis over the shorter of their estimated useful lives, being 50 years from the date of completion, and the unexpired terms of the leases; and

– other fixed assets are depreciated on a straight-line basis over their estimated useful lives at the following rates per annum:

Furniture, fixtures and equipment	20%
Motor vehicles	20-30%

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(k) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– fixed assets other than properties carried at revalued amounts;

– lease prepayment;

– investments in subsidiaries; and

– positive goodwill credited to capital reserve.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the income statement whenever the carrying amount of such an asset (including goodwill taken directly to reserve) exceeds its recoverable amount.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(ii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(l) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(n) Employee benefits

(i) Salaries, annual bonuses, paid annual leave and the cost to the group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Contributions to Mandatory Provident Funds, as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as an expense in the income statement as incurred.

(iii) Contributions to the defined contribution plan of the subsidiary and representative offices in the PRC are recognised as an expense in the income statement when the contributions become due in accordance with the terms of the plan.

(iv) When the group grants employees options to acquire shares of the company at nil consideration, no employee benefit cost or obligation is recognised at the date of grant. When the options are exercised, equity is increased by the amount of the proceeds received.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(o) Income tax

(i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

(ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(o) Income tax (continued)

(iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the company or the group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the company or the group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the company or the group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(q) Revenue recognition

Provided it is probable that the economic benefits will flow to the group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

(i) *Sale of goods*

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) *Rental income from operating leases*

Rental income receivable under operating leases is recognised in the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset.

(iii) *Commission and service income*

Commission and service income are recognised when services are rendered.

(iv) *Interest income*

Interest income from bank deposits is accrued on a time-apportioned basis by reference to the principal outstanding and the rate applicable.

(v) *Royalty income*

Royalty income is recognised when it is receivable.

(r) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange gains and losses are dealt with in the income statement.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(r) Translation of foreign currencies (continued)

Where non-speculative forward foreign exchange contracts are used to hedge firm commitments or transactions in foreign currencies, the gain or loss and the discount or premium on the contracts are added to or deducted from the amount of the relevant transaction at the end of the commitment period.

The results of foreign enterprises are translated into Hong Kong dollars at the average exchange rates for the year; balance sheet item are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with as a movement in reserves.

(s) Borrowing costs

Borrowing costs are expensed in the income statement in the year in which they are incurred.

(t) Related parties

For the purposes of these financial statements, parties are considered to be related to the group if the group has the ability, directly or indirectly, to control the party to exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

(u) Segment reporting

A segment is a distinguishable component of the group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the group's internal financial reporting system, the group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purpose of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, account receivables and fixed assets. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses and minority interests.

2 TURNOVER

The principal activity of the company is investment holding.

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:

	2005 **$'000**	2004 $'000
Sales of goods	**129,972**	200,007
Service income	**9,921**	20,394
Commission income	**16,490**	8,106
	156,383	228,507

3 OTHER REVENUE AND OTHER NET INCOME

	2005 **$'000**	2004 $'000
Other revenue		
Gross rental income from investment properties	**246**	162
Interest income	**588**	273
Royalty income	**172**	1,124
Others	**165**	151
	1,171	1,710
Other net income		
Exchange gain, net	**2,112**	2,210
Gain/(loss) on disposal of fixed assets	**27**	(56)
Gain on disposal of an associate	**–**	727
Net realised and unrealised losses on trading securities carried at fair value	**(20)**	–
	2,119	2,881

4 PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE TAXATION

Profit/(loss) from ordinary activities before taxation is arrived at after charging/(crediting):

	2005 **$'000**	2004 $'000
(a) Finance costs:		
Interest on bank advances and bank borrowings repayable within five years	**539**	879
Interest on bank advances and bank borrowings wholly repayable after five years	**302**	317
Finance charges on obligations under finance leases	**39**	33
	880	1,229
(b) Staff costs:		
Contribution to defined contribution plans	**883**	1,010
Salaries, wages and other benefits	**18,928**	23,156
	19,811	24,166
(c) Other items:		
Cost of inventories	**113,956**	187,833
Increase in provision for warranties	**80**	196
Auditors' remuneration	**783**	652
Depreciation		
– owned fixed assets	**2,484**	2,134
– assets held for use under finance leases	**351**	261
Amortisation of lease prepayment	**14**	–
Operating lease charges in respect of properties:		
– minimum lease payments	**1,336**	1,385
Rentals receivable from investment properties less direct outgoings of $10,000 (2004: $5,000)	**(236)**	(157)

5 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2005 $'000	2004 $'000
Current tax – Provision for Hong Kong Profits Tax		
Tax for the year	88	81
Under-provision in respect of prior years	425	44
	513	125
Current tax – PRC		
Tax for the year	61	55
Deferred tax		
Origination and reversal of temporary differences (note 24(b))	(776)	(1,328)
	(202)	(1,148)

Provision for Hong Kong Profits Tax for 2005 is calculated at 17.5% (2004: 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.

(b) Reconciliation between tax expense and accounting profit/(loss) at applicable tax rates:

	2005 $'000	2004 $'000
Profit/(loss) before tax	6,894	(5,414)
Notional tax on profit before tax calculated at the rates applicable to profits in the countries concerned	1,161	(993)
Tax effect of non-deductible expenses	556	330
Tax effect of non-taxable revenue	(2,661)	(1,255)
Tax effect of unused tax losses not recognised	317	726
Under-provision in prior years	425	44
Actual tax expense	(202)	(1,148)

6 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	2005 **$'000**	2004 $'000
Fees	**–**	–
Salaries and other emoluments	**2,958**	2,611
Discretionary bonus	**–**	800
Retirement scheme contributions	**36**	36
	2,994	3,447

Included in the directors' remuneration were allowances of $153,000 (2004: $120,000) paid to the independent non-executive directors during the year.

The remuneration of the directors is within the following bands:

	2005 **Number of directors**	2004 Number of directors
$Nil – $1,000,000	**5**	5
$1,000,001 – $1,500,000	**1**	1
	6	6

Certain directors were granted share options in prior years under the company's share option scheme. The details of these benefits in kind are disclosed under the paragraph "Share option scheme" in the directors' report.

7 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2004: two) are directors whose remuneration is disclosed in note 6. The aggregate of the emoluments in respect of the other three (2004: three) individuals are as follows:

	2005 **$'000**	2004 $'000
Salaries, allowances and other benefits	**1,879**	2,007
Retirement scheme contributions	**24**	24
	1,903	2,031

The emoluments of the three (2004: three) individuals with the highest emoluments are within the following band:

	2005 **Number of individuals**	2004 Number of Individuals
$Nil – $1,000,000	**3**	3

8 PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit/(loss) attributable to shareholders included a profit of $3,478,000 (2004: loss of $654,000) which has been dealt with in the financial statements of the company.

9 DIVIDENDS

(a) Dividends attributable to the year:

	2005 **$'000**	2004 $'000
Final dividend proposed after the balance sheet date of 1 cent per share (2004: Nil cent per share)	**2,800**	–

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

9 DIVIDENDS (Continued)

(b) Dividends attributable to the previous financial year, approved and paid during the year:

	2005 **$'000**	2004 $'000
Final dividend in respect of the previous financial year, approved and paid during the year of Nil cent per share (2004: 1 cent per share)	–	2,800

10 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to shareholders of $7,004,000 (2004: loss of $4,355,000) and the weighted average number of 280,000,000 ordinary shares (2004: 280,000,000 shares) in issue during the year.

(b) Diluted earnings/(loss) per share

The diluted earnings/(loss) per share is not presented as all the potential ordinary shares are anti-dilutive for the years ended 31 March 2004 and 2005.

11 SEGMENT REPORTING

Segment information is presented in respect of the group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the group's internal financial reporting.

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.

11 SEGMENT REPORTING (Continued)

Business segments (continued)

	Sales and distribution		Provision of engineering services and sales of spare parts		Unallocated		Consolidated	
	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000	**2005 $'000**	2004 $'000	**2005 $'000**	2004 $'000
Revenue from external customers	**127,678**	189,142	**28,705**	39,365	**–**	–	**156,383**	228,507
Other revenue from external customers	**–**	–	**–**	–	**1,171**	1,710	**1,171**	1,710
Total	**127,678**	189,142	**28,705**	39,365	**1,171**	1,710	**157,554**	230,217
Segment results	**7,816**	(6,096)	**1,307**	2,112			**9,123**	(3,984)
Unallocated operating income and expenses							**(1,349)**	(201)
Profit/(loss) from operations							**7,774**	(4,185)
Finance costs							**(880)**	(1,229)
Taxation							**202**	1,148
Minority interests							**(92)**	(89)
Profit/(loss) attributable to shareholders							**7,004**	(4,355)
Depreciation for the year	**1,543**	662	**136**	150	**1,156**	1,583		
Segment assets	**134,971**	135,443	**22,120**	36,390			**157,091**	171,833
Unallocated assets							**30,500**	23,592
Total assets							**187,591**	195,425
Segment liabilities	**68,071**	74,427	**2,998**	6,202			**71,069**	80,629
Unallocated liabilities							**13,591**	25,170
Total liabilities							**84,660**	105,799
Capital expenditure incurred during the year	**1,189**	2,145	**662**	7	**1,751**	1,238		

11 SEGMENT REPORTING (Continued)

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	
	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000	**2005 $'000**	2004 $'000	**2005 $'000**	2004 $'000
Revenue from external customers	**31,931**	58,903	**112,289**	147,236	**2,553**	15,344	**9,610**	7,024
Segment assets	**157,211**	176,473	**28,074**	17,282	**–**	–	**2,306**	1,670
Capital expenditure incurred during the year	**2,733**	1,290	**869**	234	**–**	–	**–**	1,866

12 FIXED ASSETS

(a) The group

	Leasehold land and buildings $'000	Furniture, fixtures and equipment $'000	Motor vehicles $'000	Subtotal $'000	Investment properties $'000	Total $'000
Cost or valuation:						
At 1 April 2004	25,810	9,625	2,214	37,649	3,790	41,439
Additions	257	1,496	458	2,211	1,391	3,602
Transfer from construction in progress	–	2,287	–	2,287	–	2,287
Disposals	–	(767)	(323)	(1,090)	–	(1,090)
Reclassification	(14,000)	–	–	(14,000)	14,000	–
Surplus on revaluation	7,000	–	–	7,000	2,091	9,091
At 31 March 2005	**19,067**	**12,641**	**2,349**	**34,057**	**21,272**	**55,329**
Representing:						
Cost	–	12,641	2,349	14,990	–	14,990
Valuation – 2005	19,067	–	–	19,067	21,272	40,339
	19,067	12,641	2,349	34,057	21,272	55,329
Aggregate depreciation:						
At 1 April 2004	–	4,169	1,016	5,185	–	5,185
Charge for the year	349	1,976	510	2,835	–	2,835
Written back on disposal	–	(572)	(284)	(856)	–	(856)
Written back on revaluation	(349)	–	–	(349)	–	(349)
At 31 March 2005	**–**	**5,573**	**1,242**	**6,815**	**–**	**6,815**
Net book value:						
At 31 March 2005	**19,067**	**7,068**	**1,107**	**27,242**	**21,272**	**48,514**
At 31 March 2004	25,810	5,456	1,198	32,464	3,790	36,254

12 FIXED ASSETS (Continued)

(b) The analysis of net book value of properties is as follows:

	2005 **$'000**	2004 $'000
Hong Kong		
– medium-term leases	**28,100**	19,100
The PRC		
– long-term leases	**8,389**	6,710
– medium-term leases	**3,850**	3,790
	40,339	29,600

(c) The group's leasehold land and buildings and investment properties were revalued at 31 March 2005 by an independent firm of surveyors, Sallmanns (Far East) Limited who has among their staff Fellows of the Hong Kong Institute of Surveyors, on an open market value basis calculated by reference to comparable sale transactions as available in the relevant markets. The revaluation surplus of $2,909,000 (2004: deficit of $4,000) and $210,000 (2004: $90,000) for the group's leasehold land and buildings and investment properties have been credited to the consolidated income statement during the year respectively. The revaluation surplus of $4,440,000 (2004: $493,000) and $1,881,000 (2004: $Nil) have been transferred to the land and buildings revaluation reserve and investment properties revaluation reserve respectively.

The carrying amount of the leasehold land and buildings of the group at 31 March 2005 would have been $14,787,000 (2004: $29,098,000) had they been carried at cost less accumulated depreciation.

(d) The group leases certain fixed assets under finance leases expiring from one to four years. At the end of the lease term the group has an option to purchase the fixed assets at a price deemed to be a bargain purchase option. None of the leases includes contingent rentals.

At 31 March 2005, the net book value of motor vehicles and equipment held under finance leases of the group was $564,000 (2004: $914,000) and $Nil (2004: $17,000), respectively.

(e) The group is still in the process of obtaining the relevant legal property certificates of investment properties in the PRC amounted to $3,850,000 (2004: $3,790,000). Based on the advice from the group's PRC lawyers, the directors are of the opinion that the group will be able to obtain proper legal ownership documents of these properties.

12 FIXED ASSETS (Continued)

(f) The group leases out investment properties under operating leases. The leases typically run for an initial period of one to two years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

The gross carrying amounts of investment properties of the group held for use in operating leases were $21,273,000 (2004: $3,790,000).

The group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2005	2004
	$'000	$'000
Within 1 year	**1,722**	143
After 1 year but within 5 years	**2,944**	143
	4,666	286

(g) During the year, certain leasehold properties held by the group were transferred to investment properties at the carrying value at date of transfer of $14,000,000. The revaluation reserve arising from the difference in carrying value and fair value at the date of transfer amounted to $794,000 was included in the leasehold land and building revaluation reserve at 31 March 2005.

13 LEASE PREPAYMENT

The group

	Land use right $'000
Cost:	
Addition and at 31 March 2005	704
Accumulated amortisation:	
Amortisation for the year and at 31 March 2005	14
Net book value:	
At 31 March 2005	690
At 31 March 2004	–

The group is in the process of obtaining the land use right certificate in respect of the land use right in the PRC. Based on the advice from the group's PRC lawyers, the directors are of the opinion that the group will be able to obtain proper legal ownership document in respect of the land use right.

14 CONSTRUCTION IN PROGRESS

	The group	
	2005 $'000	2004 $'000
At 1 April	**2,366**	2,366
Transfer to fixed assets	**(2,287)**	–
At 31 March	**79**	2,366

Construction in progress represents machineries under installation.

15 FINANCE LEASE RECEIVABLE

	The group					
	2005			2004		
	Present value of the minimum lease payments $'000	**Interest income relating to future periods $'000**	**Total minimum lease payments $'000**	Present value of the minimum lease payments $'000	Interest income relating to future periods $'000	Total minimum lease payments $'000
Amounts receivable:						
Within one year	**111**	**9**	**120**	105	15	120
After one year but within five years	**98**	**2**	**100**	209	11	220
	209	**11**	**220**	314	26	340

The group leases out a motor vehicle under a finance lease expiring in three years. At the end of the lease term and the fulfilment of the lease payments, the title of the motor vehicle will be passed to the lessee. The finance lease does not include any contingent rentals.

16 INTERESTS IN SUBSIDIARIES

	The company	
	2005 $'000	2004 $'000
Unlisted shares, at cost	**59,263**	59,263
Amounts due from subsidiaries	**34,731**	31,288
	93,994	90,551

Amounts due from subsidiaries are unsecured and interest-free and have no fixed terms of repayment.

The following list contains the particulars of the subsidiaries which affected the results, assets or liabilities of the group. The class of shares held is ordinary unless otherwise stated.

(Expressed in Hong Kong dollars)

16 INTERESTS IN SUBSIDIARIES (Continued)

All of these are controlled subsidiaries as defined under note 1(c) and have been consolidated into the group financial statements.

Name of company	Place of incorporation/ establishment and operation	Particulars of issued and fully paid share capital/ capital contribution	Proportion of ownership interest Direct	Proportion of ownership interest Indirect	Principal activity
Yardway Development Limited	British Virgin Islands ("BVI")/ Hong Kong	US$10,000	100%	–	Investment holding
Yardway Limited	Hong Kong	$10,110 (divided into 10 ordinary shares and 10,100 non-voting deferred shares of $1 each) (Note 1)	–	100%	Trading of vehicles, machinery and parts and provision of engineering services
Yardway Motors Limited	Hong Kong	$10,000	–	100%	Trading of motor vehicles and spare parts and provision of services
Yardway Equipment Limited	Hong Kong	$10,000	–	100%	Trading of equipment and spare parts and provision of services
Yardway Marine Limited ("Yardway Marine")	Hong Kong	$10,000	–	51%	Trading of yachts

(Expressed in Hong Kong dollars)

16 INTERESTS IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation/ establishment and operation	Particulars of issued and fully paid share capital/ capital contribution	Proportion of ownership interest Direct	Proportion of ownership interest Indirect	Principal activity
Yardway Logistics Equipment (Zhuhai) Company Limited ("Yardway Zhuhai")	PRC	$5,000,000 (Note 2)	–	100%	Trading of transportation and logistics related equipment
Yardway Enterprise Limited	Hong Kong	$2,000,000	–	75%	Design and installation of product line and the provision of related after sale service
Inteq Asia Limited	Hong Kong	$100	–	67%	Trading of natural gas products and alternative fuel technology for vehicles, equipment and engines

Note 1: In accordance with Articles of Association of Yardway Limited, holders of non-voting deferred shares are entitled to share profit of the company when the profit exceeds $1,000,000 million in any financial year.

Note 2: Yardway Zhuhai, a wholly foreign owned enterprise established in Zhuhai, the PRC on 1 August 2002 with an initial registered capital contribution of $10,000,000. In 2004, Yardway Zhuhai obtained approval from the relevant PRC authorities for the reduction of registered capital to $5,000,000. The revised registered capital was fully paid up as at 31 March 2005.

17 INVENTORIES

	The group	
	2005	2004
	$'000	$'000
Work in progress	**254**	54
Finished goods	**9,430**	12,966
	9,684	13,020

Included in finished goods are inventories of $4,960,000 (2004: $4,534,000), stated net of a general provision, made in order to state these inventories at the lower of their cost and estimated net realisable value.

18 ACCOUNTS AND BILLS RECEIVABLE

Debts are due within 30 to 90 days from the date of billing. The ageing analysis of accounts receivable is as follows:

	The group	
	2005	2004
	$'000	$'000
Accounts receivable		
– current	**16,703**	29,125
– 1 to 3 months overdue	**7,017**	8,269
– more than 3 months overdue but less than 12 months overdue	**2,637**	7,877
– more than 12 months overdue	**1,459**	1,010
	27,816	46,281
Bills receivable	**640**	6,564
Retention receivable	**7,658**	9,607
	36,114	62,452

Retention receivable are amounts which are not paid until the satisfaction of conditions specified in the contract for the payment of such amounts. The retention receivable expected to be recovered after more than one year is $1,186,000 (2004: $6,641,000).

19 CASH AND CASH EQUIVALENTS

	The group		The company	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Deposits with banks	**48,521**	31,974	**–**	–
Cash at bank and in hand	**21,469**	27,582	**31**	63
Cash and cash equivalents in the balance sheet	**69,990**	59,556	**31**	63
Bank overdrafts (note 21)	**(550)**	(1,274)		
Cash and cash equivalents in the cash flow statement	**69,440**	58,282		

20 ACCOUNTS AND BILLS PAYABLE

Ageing analysis of accounts payable is as follows:

	The group	
	2005	2004
	$'000	$'000
Accounts payable		
– due within 1 month or on demand	**29,561**	41,077
– due after 1 month but within 3 months	**2,683**	4,717
– due after 3 months but within 6 months	**3,208**	12,891
– due after 6 months but within 1 year	**5,080**	699
	40,532	59,384
Bills payable	**1,002**	12,881
	41,534	72,265

21 BANK LOANS AND OVERDRAFTS

At 31 March 2005, the bank loans and overdraft were repayable as follows:

	The group	
	2005	2004
	$'000	$'000
Within 1 year or on demand	**23,302**	14,926
After 1 year but within 2 years	**954**	801
After 2 years but within 5 years	**3,195**	2,560
After 5 years	**5,193**	5,874
	9,342	9,235
	32,644	24,161

At 31 March 2005, the bank loans and overdraft were secured as follows:

	The group	
	2005	2004
	$'000	$'000
Bank loans		
– secured	**20,181**	10,601
– unsecured	**11,913**	12,286
	32,094	22,887
Bank overdrafts		
– unsecured	**550**	1,274
	32,644	24,161

Certain banking facilities were secured by leasehold land and buildings and investment properties with an aggregate carrying value of $28,100,000 (2004: $19,100,000) and pledged over bank deposits totalling $6,143,000 (2004: $10,885,000) at 31 March 2005. Such banking facilities, amounting to $139,331,000 (2004: $98,000,000), were utilised to the extent of $9,914,000 (2004: $14,705,000) at 31 March 2005.

The bank loans bear interest ranging from 2.5% to 5.31% per annum.

22 OBLIGATIONS UNDER FINANCE LEASES

At 31 March 2005, the group had obligations under finance leases repayable as follows:

	The group		
		2005	
	Present value of the minimum lease payments	**Interest expense relating to future periods**	**Total minimum lease payments**
	$'000	**$'000**	**$'000**
Within 1 year	**254**	**23**	**277**
After 1 year but within 2 years	**180**	**14**	**194**
After 2 years but within 5 years	**174**	**4**	**178**
	354	**18**	**372**
	608	**41**	**649**

	The group		
		2004	
	Present value of the minimum lease payments	Interest expense relating to future periods	Total minimum lease payments
	$'000	$'000	$'000
Within 1 year	324	39	363
After 1 year but within 2 years	254	23	277
After 2 years but within 5 years	354	18	372
	608	41	649
	932	80	1,012

(Expressed in Hong Kong dollars)

23 EQUITY COMPENSATION BENEFITS

The company has a share option scheme which was adopted on 28 March 2002 whereby the directors of the company are authorised, at their discretion, to invite employees of the group, including directors of any company in the group, to take up options to subscribe for shares of the company. The exercise price of options is the highest of the nominal value of the shares, the closing price of the shares on the SEHK on the date of grant and the average closing price of the shares on the SEHK for the five business days immediately preceding the date of grant. The options vest from the date of grant until the commencement of the exercisable period. Each option gives the holder the right to subscribe for one share.

(a) Movements in share options

	2005 Number	2004 Number
At beginning of the year	**9,000,000**	10,000,000
Cancelled	**(1,000,000)**	(1,000,000)
At end of the year	**8,000,000**	9,000,000
Options vested at 31 March	**8,000,000**	9,000,000

(b) Terms of unexpired and unexercised share options at balance sheet date

Date granted	**Exercisable period**	**Exercise price**	**2005 Number**	2004 Number
9 September 2002	16 September 2002 to 15 September 2005	$0.365	**8,000,000**	9,000,000

(c) Share options granted/exercised

No share options were granted or exercised for the years ended 31 March 2004 and 31 March 2005.

24 INCOME TAX IN THE BALANCE SHEET

(a) Current taxation in the balance sheet represents:

	The group		The company	
	2005 **$'000**	2004 $'000	**2005** **$'000**	2004 $'000
Provision for Hong Kong Profits Tax for the year	**88**	81	**–**	36
Provisional Profits Tax paid	**–**	(36)	**–**	(36)
	88	45	**–**	–
Balance of Profits Tax provision relating to prior years	**(1,800)**	(2,307)	**–**	–
	(1,712)	(2,262)	**–**	–
Representing:				
Tax recoverable	**(1,846)**	(2,307)	**–**	–
Tax payable	**134**	45	**–**	–

Current taxation recoverable and payable are expected to be settled within 1 year.

24 INCOME TAX IN THE BALANCE SHEET (Continued)

(b) Deferred tax assets and liabilities recognised:

The group

The components of deferred tax (assets)/liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

	Depreciation allowances in excess of related depreciation $'000	Revaluation of properties $'000	Provision for warranties $'000	Provision for inventory $'000	Tax losses $'000	Total $'000
Deferred tax arising from:						
At 1 April 2003	555	–	(27)	–	(175)	353
Charged/(credited) to consolidated income statement	162	–	(23)	(35)	(1,432)	(1,328)
Against reserves (note 27(a))	–	86	–	–	–	86
At 31 March 2004	717	86	(50)	(35)	(1,607)	(889)
At 1 April 2004	717	86	(50)	(35)	(1,607)	(889)
Charged/(credited) to consolidated income statement	(103)	–	36	6	(715)	(776)
Against reserves (note 27(a))	–	113	–	–	–	113
At 31 March 2005	614	199	(14)	(29)	(2,322)	(1,552)

	The group 2005 $'000	The group 2004 $'000
Net deferred tax assets recognised on the balance sheet	**(1,574)**	(921)
Net deferred tax liabilities recognised on the balance sheet	**22**	32
	(1,552)	(889)

24 INCOME TAX IN THE BALANCE SHEET (Continued)

(c) **Deferred tax assets not recognised:**

The group has not recognised deferred tax assets in respect of tax losses of $14,843,000 (2004: $13,031,000). The tax losses do not expire under the current tax legislation.

25 PROVISION FOR WARRANTIES

	The group $'000
At 1 April 2004	284
Additional provisions made	80
Provisions utilised	(2)
Provisions unused and reversed during the year	(219)
At 31 March 2005	143

The provision for warranties relates mainly to products sold which is calculated based on estimates made from historical warranty data associated with similar products and services.

26 SHARE CAPITAL

	2005		2004	
	Number of shares ('000)	**Amount $'000**	Number of shares ('000)	Amount $'000
Authorised:				
Ordinary shares of $0.1 each	**2,000,000**	**200,000**	2,000,000	200,000
Issued and fully paid:				
Ordinary shares of $0.1 each	**280,000**	**28,000**	280,000	28,000

27 RESERVES

(a) The group

	Share premium $'000	Capital reserve $'000	Contributed surplus $'000	Exchange reserve $'000	Revaluation reserve – land and buildings $'000	Other reserves $'000 (note (iv))	Retained earnings $'000	Total $'000
As at 1 April 2003	3,728	(4,665)	(180)	–	–	–	68,837	67,720
Revaluation surplus (note 12(c)), net of deferred tax (note 24(b))	–	–	–	–	407	–	–	407
Exchange difference on translation of the financial statements of subsidiary	–	–	–	65	–	–	–	65
Loss for the year	–	–	–	–	–	–	(4,355)	(4,355)
Transfer to statutory surplus reserves	–	–	–	–	–	125	(125)	–
Dividend approved in respect of the previous year (note 9(b))	–	–	–	–	–	–	(2,800)	(2,800)
As at 31 March 2004	3,728	(4,665)	(180)	65	407	125	61,557	61,037

	Share premium $'000	Capital reserve $'000	Contributed surplus $'000	Exchange reserve $'000	Revaluation reserve – land and buildings $'000	Revaluation reserve – investment properties $'000	Other reserves $'000 (note (iv))	Retained earnings $'000	Total $'000
As at 1 April 2004	3,728	(4,665)	(180)	65	407	–	125	61,557	61,037
Revaluation surplus (note 12(c)), net of deferred tax (note 24(b))	–	–	–	–	4,327	1,881	–	–	6,208
Profit for the year	–	–	–	–	–	–	–	7,004	7,004
As at 31 March 2005	**3,728**	**(4,665)**	**(180)**	**65**	**4,734**	**1,881**	**125**	**68,561**	**74,249**

27 RESERVES (Continued)

(b) The company

	Share premium $'000	Contributed surplus $'000 (note (ii))	Retained profits/ (accumulated losses) $'000	Total $'000
At 1 April 2003	3,728	59,063	2,960	65,751
Dividends approved in respect of the previous year (note 9(b))	–	–	(2,800)	(2,800)
Loss for the year	–	–	(654)	(654)
At 31 March 2004	3,728	59,063	(494)	62,297
At 1 April 2004	3,728	59,063	(494)	62,297
Profit for the year	–	–	3,478	3,478
At 31 March 2005	**3,728**	**59,063**	**2,984**	**65,775**

Notes:

(i) Under the Companies Law (Revised) of the Cayman Islands, the funds in the share premium account and contributed surplus account of the company are distributable to the shareholders of the company provided that immediately following the date on which the dividend is proposed to be distributed, the company will be in a position to pay off its debts as they fall due in the ordinary course of business. At 31 March 2005, the aggregate amount of reserves available for distribution to shareholders was $65,775,000 (2004: $62,297,000).

(ii) The contributed surplus of the company arose from the difference between the consolidated net assets of the group's subsidiaries acquired and the nominal amount of the company's ordinary shares issued pursuant to the group reorganisation in 2002.

(iii) The capital reserve, contributed surplus, exchange reserve and revaluation reserves have been set up and will be dealt with in accordance with the accounting policies adopted for goodwill/discount arising on acquisition, foreign currency translation and the revaluation of investment properties and land and buildings held for own use (note 1).

(iv) Other reserves comprise statutory reserves required in respect of a subsidiary established in the PRC.

(v) All the reserves of the group are retained by the company and its subsidiaries.

28 COMMITMENTS

(a) Capital commitments outstanding at 31 March 2005 not provided for in the financial statements were as follows:

	The group	
	2005	2004
	$'000	$'000
Contracted but not provided for in respect of		
– purchase of land	**–**	356

(b) At 31 March 2005, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The group	
	2005	2004
	$'000	$'000
Within 1 year	**1,071**	414
After 1 year but within 5 years	**572**	45
	1,643	459

The group leases a number of properties under operating leases. The leases typically run for an initial period of one to three years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

29 OFF-BALANCE SHEET FINANCIAL INSTRUMENTS

The group has employed off-balance sheet derivative instruments such as foreign exchange forwards to manage its foreign exchange exposure. These instruments are used solely to reduce or eliminate the financial risk associated with the group's assets and liabilities and not for trading or speculation purposes.

The contracted notional amounts of derivative instruments outstanding at 31 March 2005 are as follows:

	2005	2004
	$'000	$'000
Foreign exchange forwards maturing in less than 1 year		
– sales	**4,974**	–
– purchases	**6,573**	45,063

29 OFF-BALANCE SHEET FINANCIAL INSTRUMENTS (Continued)

There are four main categories of risk related to using derivative instruments, namely market risk, credit risk, operational risk and legal risk. Since the group employs derivative instruments purely for hedging purposes, it is not exposed to market risk because any change in market values will be offset by an opposite change in the market values of the underlying assets and liabilities being hedged.

The group manages credit risk by assigning limits to counter-parties and by dealing only with financial institutions with acceptable credit ratings. The group further monitors its credit exposure by estimating the fair market values plus any potential adverse movement in the values of the derivative instruments employed. The group has not experienced non-performance by any counter-party.

The group has internal control measures to safeguard compliance with policies and procedures to minimise operational risk. Standardised or master agreements are used whenever practicable to reduce legal risk and credit exposure.

30 CONTINGENT LIABILITIES

At 31 March 2005, the group provided guarantees in favour of third parties (representing customers and potential customers) for performing duties and quality assurance amounting to $2,435,000 (2004: $830,000) and $13,559,000 (2004: $20,889,000), respectively.

31 MATERIAL RELATED PARTY TRANSACTIONS

(a) During the year, the group had the following material transactions with related parties:

	Note	**2005** **$'000**	2004 $'000
Sales of goods	(i)	**1,243**	355
Rental paid	(ii)	**387**	374
Consultancy fee paid	(iii)	**580**	–
Payment on behalf of related party	(iv)	**–**	100
Fund received on behalf of related party	(iv)	**–**	215

31 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

Notes:

(i) The group sold a yacht to Island Gypsy Pty Ltd during the year as described in "Connected transaction" of the directors' report. In 2004, the group sold spare parts to ANJ International Limited which is controlled by a brother of a director, Fong Kit Wah, Alan under similar terms as it traded with independent third party customers.

(ii) Fong Kit Wah, Alan, a director of the company, leased a property in the PRC to the group as the office premises of a representative office of the group under normal commercial terms.

(iii) The amount represented consultancy fee paid to Inteq Srl, a minority shareholder of a subsidiary.

(iv) The amount represented fund received/payment made on behalf of Langfang Yardway Machinery and Equipment Limited ("Langfang") which is controlled by Fong Kit Wah, Alan, a director of the company in 2004. At 31 March 2005, the net amount due to Langfang was nil (2004: $104,000).

(b) The amount due to International Yacht Distributors Limited, a shareholder of Yardway Marine of $181,000 (2004: $372,000) is disclosed in the consolidated balance sheet. The amount is unsecured, interest free and has no fixed terms of repayment.

32 POST BALANCE SHEET EVENTS

(i) After the balance sheet date, the directors proposed a final dividend. Further details are disclosed in note 9.

(ii) On 4 July 2005, a wholly-owned subsidiary of the company entered into a provisional agreement with an independent third party for the disposal of an investment property at a consideration of $2,480,000.

33 RECENTLY ISSUED ACCOUNTING STANDARDS

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005.

The group has not early adopted these new HKFRSs in the financial statements for the year ended 31 March 2005. The group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.