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.