YARDWAY GROUP LIMITED

啟帆集團有限公司

(INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY)

(Stock Code : 646)

Annual Report **2009**

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors:

Mr. Li Song Xiao *(Chairman)*
Mr. Yuan Kun
Ms. Song Xuan
Mr. Xu Xiao Yang

Independent Non-executive Directors:

Mr. Gao Ling
Mr. Cui Yong
Mr. Zhang Qing Lin

AUDIT COMMITTEE

Mr. Gao Ling *(Chairman)*
Mr. Cui Yong
Mr. Zhang Qing Lin

REMUNERATION COMMITTEE

Mr. Cui Yong *(Chairman)*
Mr. Gao Ling
Mr. Zhang Qing Lin

NOMINATION COMMITTEE

Mr. Cui Yong *(Chairman)*
Mr. Gao Ling
Mr. Zhang Qing Lin

COMPANY SECRETARY

Mr. Li Wang Hing, Nelson

AUDITOR

CCIF CPA Limited
20/F, Sunning Plaza
10 Hysan Avenue
Causeway Bay
Hong Kong

LEGAL ADVISERS

Richards Butler
Conyers Dill & Pearman

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group
(Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681 GT
George Town
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 1605A
16th Floor, Office Tower
Convention Plaza
No. 1 Harbour Road
Wanchai
Hong Kong
Tel: (852) 2511 1870
Fax: (852) 2511 1878

LISTING INFORMATION

The Stock Exchange of Hong Kong Limited
Stock Code: 0646

PRINCIPAL BANKERS

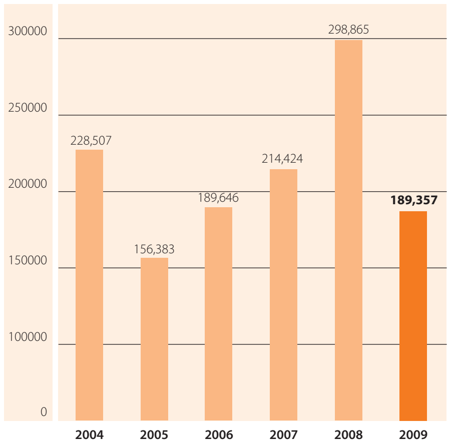
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited

COMPANY WEBSITE

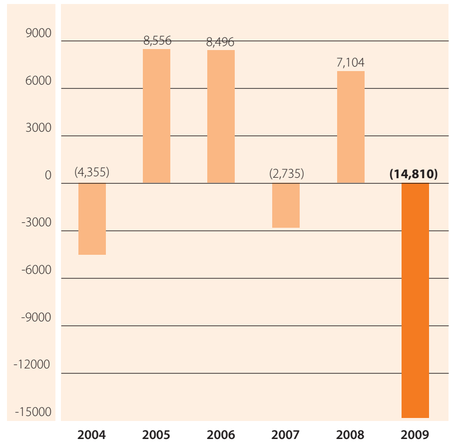
www.yardwaygroup.com.hk

Financial Highlights

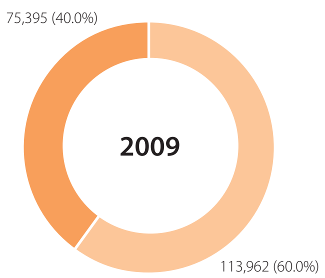
Turnover
HK$'000

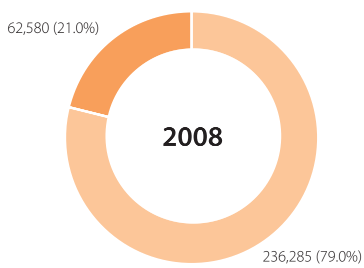


Net Profit/(Loss)
HK$'000



Turnover Analysis by Business Activities
HK$'000

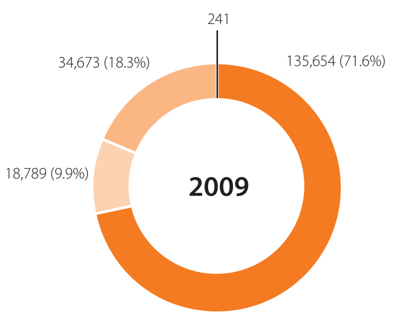


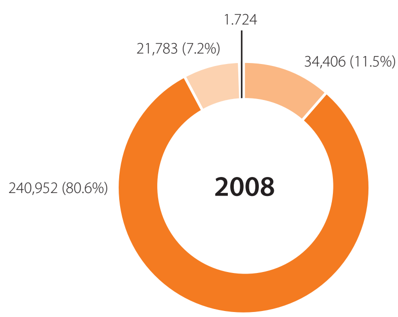


Sales and distribution

Provision of engineering service and sales of spare parts

Turnover Analysis by Geographical Area
HK$'000





Hong Kong

The United States of America

Europe

Other parts of the People's Republic of China ("PRC")

Others

Chairman's Statement

On behalf of the Board of Directors of Yardway Group Limited (the "Company") and its subsidiaries (collectively the "Group"), it gives me pleasure to present to the shareholders the annual report of the Company for the year ended 31 March 2009.

The Group's turnover amounted to HK$189,357,000 for the year ended 31 March 2009, representing a decrease of 36.6% as compared to the previous year. The loss attributable to equity shareholders of the Company amounted to HK$14,810,000 (2008: profit of HK$7,104,000). The Board does not recommend any payment of final dividend for the year ended 31 March 2009 (2008: nil).

As the Group had anticipated in the Interim Report, the operating environment would remain challenging and the downward trend might sustain in the global economy. The Group responded to this challenging set of negative market dynamics by exerting inventory control, keeping a tight leash on credit and streamlining operational costs.

Looking ahead, supported by the effective measures of the PRC Government, it is evident that mainland China's economy is very likely to recover from the financial turmoil faster than other countries and sustain higher growth. We are confident of the Group's existing business development in the long run. We believe that the challenging landscape created by the current financial situation will provide new opportunities for the players in our industry.

Finally, I would like to take this opportunity to express my sincere gratitude to our shareholders, customers, suppliers and staff. Their continual trust and support to the Group are fundamentally essential to our success in operation and growth.

Last but not the least, I would also like to thank all the Directors for their great support and valuable advices during the period.

On behalf of the Board
Li Song Xiao
Chairman

Hong Kong, 22 July 2009

Management Discussion and Analysis

Results

For the year ended 31 March 2009, the Group recorded a turnover of about HK$189,357,000, representing a decrease of about 36.6% compared to that of 2008. The Group turned profit to loss with its loss attributable to equity shareholders was about HK$14,810,000 (2008: profit of HK$7,104,000). Gross profit margin was approximately 21.9% as compared to 16.8% in last year.

Business Review

During the year, majority of our revenue was generated from PRC and it was believed to be continued in the future. For the year under review, the Group had completed a few sizeable projects in supplying the railway maintenance equipment to the end users, such as Beijing Metro and Guangzhou Railway (Group) Co.. The growth driver of the turnover was mainly attributable to the strong demand for railway maintenance equipment.

For the year ended 31 March 2009, distribution costs of the Group amounted to approximately HK$20,114,000 (2008: HK$20,598,000). The distribution costs were fairly stable as compared with last year. Administrative expenses of the Group for the year amounted to approximately HK$33,404,000 (2008: HK$36,763,000), representing a decrease of approximately 9.1% as compared with last year.

Prospects

In 2009, with the deepening impact of the global financial crisis, the global economy is expected to face more serious challenges. The World Bank forecasted in its report published in March 2009 that in 2009, the global economy would experience the first negative growth since the Second World War. According to "The 2009 Forecasts and Prospects for China's Economy" published by the Center for Forecasting Science, CAS, China's GDP is expected to increase by about 8.3% in 2009. The Chinese government has taken the initiative in introducing a series of new ideologies and measures, proactively promoting the adjustment of infrastructures.

The Group will enhance co-operation with its strategic business partners and maintain good relationships with its customers in various business segments to maintain and expand its market share so as to sustain stable business growth. In respect of financial control, the Group will take measures to reduce operational costs, control expenses and to avoid any unreasonable expense. The Group faces the future with a high degree of confidence in the knowledge that operations are under the control of a well-trained team and benefit from a robust financial framework. Nevertheless, Yardway will continue to take a prudent and cautious approach to building on the Group's various strengths.

Appreciation

The Directors and Management would like to take this opportunity to express their sincere gratitude to all the staff members for their commitment and contribution to the Group for the past year.

Management Discussion and Analysis

Employees and Remuneration Policy

As at 31 March 2009, the Group had 111 employees (2008: 132 employees). The remuneration policy and packages are reviewed annually by the management and the Remuneration Committee. 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. The Group operates a share options scheme for the purpose of providing incentives and rewards to eligible directors and employees of the Group to recognise their contribution to the success of the Group.

Liquidity and Financial Resources

Liquidity

The Group continued to maintain a solid financial position. As at 31 March 2009, cash and bank balances including pledged fixed deposits of the Group were HK$130,947,000 (2008: HK$71,079,000). The cash and bank balances consisted of about 78.1% in Hong Kong dollars, 6.5% in US dollars, 14.4% in Renminbi, 0.8% in Euro, and 0.2% in other currencies.

As at 31 March 2009, the Group had total assets of HK$314,578,000 (2008: HK$284,187,000) and total liabilities of HK$126,669,000 (2008: HK$162,499,000). As at 31 March 2009, the current ratio was 2.16 (2008: 1.47), calculated on the basis of current assets of HK$259,738,000 (2008: HK$228,452,000) over current liabilities of HK$120,270,000 (2008: HK$155,860,000).

The Group's bank borrowings amounted to HK$6,114,000 (2008: HK$18,293,000). The Group's borrowings, denominated in Hong Kong dollars, United States dollars and Euro, mainly comprise trust receipt loans, invoice financing loans and mortgage loans bearing floating interest rates. The Group's gearing ratio, being the ratio of the total borrowings to total assets, was 1.9% (2008: 6.4%).

Foreign exchange exposure and hedging

The Group's majority sales transactions are denominated in United States dollars, Renminbi and Hong Kong dollars while the purchases transactions are mainly denominated in Euro. As such, the Group is exposed to foreign exchange risk. The Group made use of forward contracts to manage its foreign exchange exposure in order to reduce net exposure to currency fluctuations.

Charge on assets

As at 31 March 2009, certain of the Group's land and buildings and investment properties with an aggregate carrying value amounting to HK$16,200,000 (2008: HK$17,000,000) and bank deposits of HK$11,717,000 (2008: HK$8,348,000) were pledged with banks to secure banking facilities granted to the Group. Included in pledged bank deposits are denominated in Renminbi 4,461,000 (2008: RMB1,626,000) which are pledged by the Group's wholly owned subsidiary in Zhuhai, the PRC.

Biographical Details of Directors and Senior Management

Executive Directors

Mr. Li Song Xiao, aged 43, is the Chairman of the Board and an Executive Director of the Company. He was appointed as an Executive Director of the Company on 21 September 2007. He has extensive experience in property management and development in the PRC. He is currently the vice-chairman of the Housing Industry Association of All China Federation of Industry Commerce and the assistant head of the Consolidate Development Committee of the Research Committee of Real Estate and Accommodation in the PRC. He is also the chairman and controlling shareholder of Neo-China Land Group (Holdings) Limited, the shares of which are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He is also the sole director of Happy City Holdings Limited, a substantial shareholder of the Company.

Mr. Yuan Kun, aged 35, is an Executive Director of the Company. He was appointed as an Executive Director of the Company on 21 September 2007. Mr. Yuan has over 10 years of experience in the fields of finance and investment. He has worked for the investment banking division of Hai Tong Securities Limited in the PRC. He holds an accounting degree from Macquarie University. He is currently an executive director of Neo-China Land Group (Holdings) Limited, the shares of which are listed on the Stock Exchange.

Ms. Song Xuan, aged 45, is an Executive Director of the Company. She was appointed as an Executive Director of the Company on 21 September 2007. She has extensive experience in accounting and finance. She holds a bachelor degree in economics from Beijing Union University. She was an executive director of Neo-China Land Group (Holdings) Limited, the shares of which are listed on the Stock Exchange, from 31 March 2005 to 15 June 2006.

Mr. Xu Xiao Yang, aged 42, is an Executive Director of the Company. He was appointed as an Executive Director of the Company on 21 July 2008. He has over 10 years of experience in foreign trading, logistics, energy, education and real property businesses. Before joining the Company, he has worked as an executive director of Australian International Investment Group and Australia Queens land Education Investment Group. Mr. Xu graduated from Beijing Foreign Language Institute and was major in English.

Biographical Details of Directors and Senior Management

Independent Non-Executive Directors

Mr. Gao Ling, aged 54, is an Independent Non-Executive Director of the Company. He was appointed as an Independent Non-Executive Director of the Company on 21 September 2007. He is also the chairman of the Audit Committee and a member of the Nomination Committee and Remuneration Committee. He has extensive experience in accounting. He received a master degree in politics and laws from Capital Normal University, the PRC. Mr. Gao is a certified public accountant, certified economist and certified asset valuer in the PRC. Mr. Gao is an independent non-executive director of Neo-China Land Group (Holdings) Limited, the shares of which are listed on the Stock Exchange.

Mr. Cui Yong, aged 34, is an Independent Non-Executive Director of the Company. He was appointed as an Independent Non-Executive Director of the Company on 21 September 2007. He is also the chairman of the Nomination Committee and Remuneration Committee and a member of the Audit Committee. Mr. Cui holds a master degree in economics and a doctoral degree in economics from the Renmin University of China. He was an executive president of an investment advisory company in the PRC. Prior to Mr. Cui's resignation in 2007, he was an independent non-executive director of Zhongshan Vantage Gas Appliance Stock Co., Ltd., the shares of which are listed on the Shenzhen Stock Exchange.

Mr. Zhang Qing Lin, aged 65, is an Independent Non-Executive Director of the Company. He was appointed as an Independent Non-Executive Director of the Company on 11 October 2007. He is also a member of the Audit Committee, Nomination Committee and Remuneration Committee. He has extensive experience in property construction. He has been the deputy director, director-general and secretary of both the National Planning Committee and the Administrative Bureau for Construction of the National Ministry of Construction, and the deputy general manager of China State Construction Engineering Group. He is currently a committee member of the National Committee of the Chinese People's Political Consultative Conference, he is also a part-time professor of the International Project Management Research Institute of Tsinghua University, the president of the Engineering Project Management Committee of Construction Industry Association of China and a fellow member of the Royal Institute of British Architects. He is an independent non-executive director of Neo-China Land Group (Holdings) Limited, the shares of which are listed on the Stock Exchange. Mr. Zhang is also an independent non-executive director of China Railway Group Limited, the A shares and H shares of which are listed on the Shanghai Stock Exchange and the Stock Exchange respectively.

Company Secretary

Li Wang Hing, Nelson, is the Company Secretary of the Company. He is also the Finance Manager and Qualified Accountant of the Group. Mr. Li holds a master degree of business administration from the University of Leicester in U.K. and a master degree of professional accounting from the Hong Kong Polytechnic University. He is an associate member of the Hong Kong Institute of Certified Public Accountants and is also a qualified Chartered Secretary designated as ACIS and ACS. In 1999-2000, he was the President of the Hong Kong Polytechnic University Postgraduate Association.

Report of the Directors

The directors submit herewith their annual report together with the audited financial statements for the year ended 31 March 2009.

Principal Place of Business

Yardway Group Limited ("the Company") is a company incorporated in the Cayman Islands and has its principal place of business at Unit 1605A, 16th Floor, Office Tower, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong.

Principal Activities

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in note 18 to the financial statements.

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries ("the Group") during the financial year are set out in note 13 to the financial statements.

Major Customers and Suppliers

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	24.7%	
Five largest customers in aggregate	50.1%	
The largest supplier		21.3%
Five largest suppliers in aggregate		45.2%

At no time during the year have the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

Financial Statements

The loss of the Group for the year ended 31 March 2009 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 30 to 109.

Report of the Directors

Transfer to Reserves

Loss attributable to shareholders, before dividends, of HK$14,827,000 (2008: profit of HK$6,790,000) have been transferred to reserves. Other movements in reserves are set out in note 32(a) to the financial statements.

The directors do not recommend the payment of a final dividend for the year ended 31 March 2009 (2008: Nil).

Property, Plant and Equipment

Details of movements in Property, Plant and Equipment of the Group during the year are set out in note 15 to the financial statements.

Share Capital

On 28 August 2008, the Company entered into a Subscription Agreement with Subscribers (Mr. Li Song Xiao, Mr. Yuan Kun, Mr. Lu Zhao Qun, Mr. Jia Bo Wei and Mr. Xu Xiao Yang). Each of the Subscribers (except Jia Bo Wei) is a Director (Mr. Lu Zhao Qun is an ex-director who resigned on 21 April 2009) and Mr. Li Song Xiao is also a substantial shareholder of the Company and is therefore a connected person of the Company. Accordingly, the Subscription constitutes a connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company had sought the approval of the Independent Shareholders for the specific mandate to issue the Subscription Shares in the extraordinary general meeting on 10 October 2008.

An Independent Board Committee had been formed to advise the Independent Shareholders of the Company in respect of the Subscription and the Connected Transaction. Ample Capital Limited had been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in such regard.

The Subscribers agreed to subscribe for and the Company agreed to issue and allot 270,000,000 shares at the Subscription Price of HK$0.30 per share. The Subscription Shares represent approximately 93.67% of the existing issued share capital of the Company and approximately 48.37% of the issued share capital of the Company as enlarged by the Subscription. All the new subscribed shares were issued on 5 November 2008, 6 November 2008 and 7 November 2008 respectively. The Company received the gross proceeds of HK$81,000,000. The proceeds will be used for business expansion and general working capital purposes.

On 22 January 2009, the Company announced a proposed Share Subdivision and Change of Board Lot Size. In the Announcement, the Board proposed that each of the issued and unissued Existing Share of HK$0.10 each in the share capital of the Company be subdivided into two (2) Subdivided Shares of HK$0.05 each and, upon the Share Subdivision becoming effective, the board lot size of the Shares will be changed from 4,000 Existing Shares to 16,000 Subdivided Shares.

At the extraordinary general meeting of the Company held on 13 February 2009, the Share Subdivision and Change of Board Lot Size were duly passed by the Shareholders and following the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting the listing of, and permission to deal in, the Subdivided Shares, the Share Subdivision and Change of Board Lot Size becoming effective on 16 February 2009 and the authorised share capital of the Company remains at HK$200,000,000 divided into 4,000,000,000 Subdivided Shares of HK$0.05 each.

Report of the Directors

Details of the movements in share capital of the Company during the year are set out in note 31 to the financial statements.

There were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the year.

Directors

The directors during the financial year and up to the date of this report were:

Executive directors

Li Song Xiao
Yuan Kun
Song Xuan
Xu Xiao Yang (appointed on 21 July 2008)
Lu Zhao Qun (resigned on 21 April 2009)

Non-executive director

Yin Jie (resigned on 2 September 2008)

Independent non-executive directors

Gao Ling
Cui Yong
Zhang Qing Lin

In accordance with Article 108 of the Articles of Association of the Company, Mr. Li Song Xiao, Mr. Yuan Kun and Ms. Song Xuan will retire from the offices as Executive Directors at the forthcoming annual general meeting, and all retiring Directors, being eligible, will offer themselves for re-election.

Directors' Service Contracts

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Directors' Interest in Shares and Underlying Shares

The directors of the Company who held office at 31 March 2009 had the following interests in the shares of the Company, its holding company, subsidiaries and other associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) at that date as recorded in the register of directors' and chief executives' interests required to be kept

Report of the Directors

under section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in the Listing Rules (the "Model Code"), to be notified to the Company and the Stock Exchange were as follows:

Interests in issued shares of the Company

Name of Director	**Capacity**	**No. of ordinary shares interested**	**% of the Company's issued share capital**
Li Song Xiao	Interest in corporation *(note)*	288,312,000	25.82%
	Beneficial owner	480,000,000	42.99%
		768,312,000	68.81%
Lu Zhao Qun	Beneficial owner	20,000,000	1.79%
Yuan Kun	Beneficial owner	20,000,000	1.79%
Xu Xiao Yang	Beneficial owner	10,000,000	0.90%

Note:

These shares are registered in the name of and beneficially owned by Happy City Holdings Limited, a company incorporated in the British Virgin Islands ("BVI"), and its entire issued share capital is wholly-owned by Li Song Xiao.

Apart from the foregoing, as at 31 March 2009, none of the directors of the Company or any of their spouses or children under eighteen years of age has interests in the shares and underlying shares of the Company, or any of its holding company, subsidiaries or other associated corporations, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Share Option Scheme

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 eligible participants to take up options at a nominal consideration to subscribe for shares of the Company. The purpose of the share option scheme is to enable the Group to grant options to the eligible participants including employees, executive and non-executive directors, suppliers and customers and shareholders of any members of the Group and any persons or entities that provided research, development or other technical support to the Group or any other group or classes of participants determined by the directors as incentive or rewards for their contribution to the Group. The share option scheme shall be valid and effective for a period of ten years ending on 27 March 2012, after which no further options will be granted.

Report of the Directors

The exercise price of options is the highest of the nominal value of the shares, the closing price of the shares on the Stock Exchange on the date of offer and the average closing price of the shares on the Stock Exchange for the five business days immediately preceding the date of offer. The options vest in four equal instalments with the first installment vesting from the date of grant. The second, third and fourth instalments vest from one, two and three years after the date of grant respectively. The options are exercisable after the vesting date but within a period of five years from the date of grant. Each option gives the holder the right to subscribe for one ordinary share in the company.

The total number of securities available for issue under the share option scheme as at 31 March 2009 was 12,800,000 shares (after Share Subdivision) which represents 1.15% of the issued share capital of the Company as at 31 March 2009. The number of securities issued and to be issued upon exercise of the options granted to each participant in any 12-month period is limited to 1% of the Company's ordinary shares in issue.

Offer of an option shall have been accepted when the duplicate letter comprising acceptance of the option duly signed by the grantee together with a remittance of HK$1 is received within such time as may be specified in the offer, which shall not be later than 21 days from the date of offer. The share option scheme will expire on 27 March 2012.

Information on the accounting policy for share options granted and the weighted average value per option is provided in note 2(r)(ii), note 30 and note 31 to the financial statements respectively.

Apart from the foregoing, at no time during the year was the Company, or any of its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Substantial Shareholders' Interests in Shares

The Company has been notified of the following interests in the Company's issued shares as at 31 March 2009 amounting to 5% or more of the ordinary shares in issue:

	Capacity	**No. of ordinary shares of the Company interested**	**% of the Company's issued share capital**
Li Song Xiao	Beneficial owner	480,000,000	42.99%
Happy City Holdings Limited *(note (a))*	Beneficial owner	288,312,000	25.82%
Liu Hui *(note (b))*	Interest of spouse	768,312,000	68.81%
Chung Cheong Group Limited	Beneficial owner	126,152,000	11.30%
Mo Huiqin *(note (c))*	Interest held by a controlled corporation	126,152,000	11.30%

Report of the Directors

Notes:

(a) *The above interest held by Happy City Holdings Limited was also disclosed as the interest of Li Song Xiao in the section headed "Directors' and Chief Executive's Interests in Shares and Underlying Shares" above.*

(b) *Liu Hui was deemed to be interested in 768,312,000 ordinary shares of the Company, being the interest held beneficially by her spouse, Li Song Xiao.*

(c) *Mo Huiqin is the 100% controlling shareholder of Chung Cheong Group Limited.*

Save as disclosed above, as at 31 March 2009, so far as is known to the directors of the Company, no person (other than the directors of the Company whose interests are set out in the section headed "Directors' and Chief Executive's Interests in Shares and Underlying Shares" above) had an interest or a short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Connected Transaction

On 28 August 2008, the Company entered into the Subscription Agreement with five subscribers pursuant to which the subscribers agreed to subscribe for and the Company agreed to issue and allot 270,000,000 shares at the Subscription Price of HK$0.30 per share.

The Subscription Shares represent approximately 93.67% of the existing issued share capital of the Company and approximately 48.37% of the issued share capital of the Company as enlarged by the Subscription. The entire net proceeds from the Subscription amounts to approximately HK$81 million and will be used for business expansion and general working capital purposes.

The Subscribers are Mr. Li Song Xiao, Mr. Yuan Kun, Mr. Lu Zhao Qun, Mr. Xu Xiao Yang and Mr. Jia Bo Wei. To the best of the Directors' knowledge, information and belief, having made all reasonable enquires, Mr. Jia Bo Wei is an independent third party and is not related to any of the other subscribers. Each of Messrs. Yuan Kun and Xu Xiao Yang being a Director and Mr. Lu Zhao Qun being an ex-director who resigned on 21 April 2009 and Mr. Li Song Xiao being a Director and substantial shareholder of the Company, is a connected person of the Company but they are not related to each other. Accordingly, the Subscription constitutes a connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee has been formed to advise the Independent Shareholders of the Company in respect of the Subscription and the Connected Transaction. Ample Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in such regard.

Report of the Directors

Directors' Interests in Contracts

Save as disclosed in note 38 to the financial statements, no contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders.

Bank Loans and Overdrafts

Particulars of bank loans and other borrowings of the Company and the Group as at 31 March 2009 are set out in note 25 to the financial statements.

Contingent Liabilities

At the balance sheet date, the Company gave corporate guarantees for banking facilities of HK$105,320,000 (2008: HK$211,315,000) granted to certain subsidiaries. The maximum liability of the Company at the balance sheet date under the guarantees issued was the facilities utilized by the subsidiaries totalling HK$31,903,000 (2008: HK$53,865,000). The directors do not consider it probable that a claim will be made against the Company.

Five Year Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 112 of the annual report.

Properties

Particulars of the major properties and property interest of the Group are shown on pages 110 and 111 of the annual report.

Retirement Schemes

As from 1 December 2000, the Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme"), managed by an independent approved MPF trustee, under the requirements of the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance.

The MPF Scheme is a defined contribution retirement scheme. Under the MPF Scheme, the employer and its employees are each required to make contributions to the Scheme at 5% of the employee's relevant income, subject to a cap of monthly relevant income of HK$20,000.

Report of the Directors

The employees in the Group's PRC subsidiaries are members of the state-managed retirement schemes. The PRC subsidiaries are required to contribute a specified percentage of their payroll to these schemes. The only obligation of the Group with respect to these retirement schemes is to make the specified contributions.

Confirmation of Independence

The company received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive directors to be independent.

Sufficiency of Public Float

The Listing Rules normally requires issuers to maintain at least 25% of their listed securities in public hands at all times. Based on information that is publicly available to the Company and within the knowledge of the directors of the Company, less than 25% of the Company's total issued share capital was held by the public as at the date of this report.

The Company is considering various ways to ensure the minimum percentage of public float be maintained in compliance with the relevant Listing Rules at the earliest possible moment.

Auditor

KPMG resigned as auditor of the Company on 1 November 2007 while CCIF CPA Limited was appointed by the Board to fill the casual vacancy.

Apart from the foregoing, there were no other changes in auditor of the Company in any of the preceding three years. CCIF CPA Limited shall retire and being eligible, offer themselves for re-appointment. A resolution for the reappointment of CCIF CPA Limited as auditor of the Company is to be proposed at the forthcoming annual general meeting.

Suspension of Trading

At the request of the Company, trading on the Stock Exchange in the shares (stock code: 646) of the Company was suspended with effect from 9:30 a.m. on 20 March 2009 pending the release of an announcement in respect of certain price-sensitive information. Trading in the shares of the Company will remain suspended.

The Company will continue to work closely with the Stock Exchange on an announcement with respect to matters which led to the Company's suspension of trading of its securities and is seeking the resumption of trading of its shares as soon as practicable.

By order of the Board
Li Song Xiao
Chairman

Hong Kong, 22 July 2009

Corporate Governance Report

The board of directors (the "Board") of the Company is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 March 2009.

The manner in which the principles and code provisions in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") are applied and implemented is explained in the following parts of this Corporate Governance Report:

Corporate Governance Practices

The Group is committed to achieving high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company recognises the importance of good corporate governance to the Company's healthy growth and has devoted considerable efforts to identifying and formulating corporate governance practices appropriate to the Company's needs.

The Company's corporate governance practices are based on the principles, code provisions and certain recommended best practices as set out in the CG Code.

Throughout the year ended 31 March 2009, the Company has complied with the code provisions set out in the CG Code, save for certain deviations from the code provisions, details of which are explained in the relevant paragraphs in this Report.

The Company has also put in place certain recommended best practices as set out in the CG Code.

The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review its corporate governance practices periodically to ensure these continue to meet the requirements of the CG Code and align with the latest developments.

The Board

Responsibilities

The management and control of the business of the Company are vested in its Board. It is the duty of the Board to establish policies, strategies and plans, and to provide leadership in the attainment of the objective of creating value to shareholders.

The senior management was delegated the authority and responsibilities by the Board for the day-to-day management and operations of the Group. In addition, the Board has also established Board committees and has delegated to these Board committees various responsibilities set out in their respective terms of reference.

The Company has arranged for appropriate insurance cover for directors' and officers' liabilities in respect of legal actions against its directors and senior management arising out of corporate activities.

Corporate Governance Report

Board Composition

The Company has adopted the recommended best practice under the CG Code for the Board to have at least one-third of its members comprising independent non-executive directors.

The Board currently comprises seven members, consisting of four executive directors and three independent non-executive directors.

The directors during the financial year and up to the date of this report were:

Executive Directors:

Li Song Xiao (Chairman)	
Yuan Kun	
Song Xuan	
Xu Xiao Yang	(appointed on 21 July 2008)
Lu Zhao Qun	(resigned on 21 April 2009)

Non-Executive Director:

Yin Jie	(resigned on 2 September 2008)

Independent Non-Executive Directors:

Gao Ling	(Chairman of Audit Committee and Member of Remuneration Committee and Nomination Committee)
Cui Yong	(Chairman of Remuneration Committee and Nomination Committee and Member of Audit Committee)
Zhang Qing Lin	(Member of Audit Committee, Remuneration Committee and Nomination Committee)

The list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The independent non-executive directors are expressly identified in all corporate communications pursuant to the Listing Rules.

Members of the Board are unrelated to one another.

During the year ended 31 March 2009, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive director of his independence pursuant to the requirements of the Listing Rules. On this basis, the Company considers all independent non-executive directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

Corporate Governance Report

The executive directors, with their intimate knowledge of the business, take on the primary responsibility for the leadership for the Company while the independent non-executive directors bring a wide range of business and financial expertise, experiences and independent judgement to the Board. Independent non-executive directors are invited to serve on the Audit, Remuneration and Nomination Committees of the Company.

Chairman and Chief Executive Officer

Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

At present, the Company does not have any officer with the titled of "Chief Executive Officer" and the Chairman of the Board provide overall leadership for the Board and the Group's business. The daily management is delegated to the executive directors and the senior management.

The Board shall review its structure from time to time to ensure appropriate action is being taken should suitable circumstances arise.

Appointment, Re-election and Removal of Directors

In accordance with the Company's Articles of Association, all directors of the Company are subject to retirement by rotation at least once every three years. Any new director appointed to fill a causal vacancy shall submit himself for re-election by shareholders at the next following general meeting after appointment and any new director appointed as an addition to the Board shall submit himself for re-election by shareholders at the next following annual general meeting after appointment.

Code provision A.4.1 of the CG Code 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 Mr. Yin Jie, the former non-executive director who has resigned on 2 September 2008, Mr. Gao Ling, Mr. Cui Yong and Mr. Zhang Qing Lin, the independent non-executive directors. They were not appointed for any specific length of service with the Company.

Although the non-executive director and independent non-executive directors do not have a specific term of appointment, all directors of the Company are subject to retirement by rotation once every three years in accordance with the Company's Articles of Association.

The procedures and process of appointment, re-election and removal of directors are laid down in the Company's Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive directors.

Corporate Governance Report

Nomination Committee

The Nomination Committee comprises three members, namely Mr. Cui Yong (Chairman), Mr. Gao Ling and Mr. Zhang Qing Lin, all of them are independent non-executive directors.

The principal duties of the Nomination Committee include:

(a) to review the structure, size and composition of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;

(b) to develop and formulate relevant procedures for nomination and appointment of directors;

(c) to identify individuals suitably qualified to become a Board member;

(d) to make recommendations to the Board on selection or appointment of individuals nominated for directorships and appointment or re-appointment of directors and succession planning for directors; and

(e) to assess the independence of the independent non-executive directors.

The Nomination Committee carries out the process of selecting and recommending candidates for directorships by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of such individuals, the Company's needs and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary.

The Nomination Committee met once during the year ended 31 March 2009 and reviewed the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company and the attendance records are set out under "Directors' Attendance Records" on page 22.

In accordance with the Company's Articles of Association, Mr. Li Song Xiao, Mr. Yuan Kun and Ms. Song Xuan shall retire by rotation and being eligible, offer themselves for re-election at the next forthcoming annual general meeting.

The Nomination Committee recommended the re-appointment of the directors standing for re-election at the next forthcoming annual general meeting of the Company.

A circular containing detailed information of the directors standing for re-election at the forthcoming annual general meeting would be sent to the shareholders.

Corporate Governance Report

Induction and Continuing Development for Directors

Each newly appointed director should receive a comprehensive, formal and tailored induction on the first occasion of his appointment, so as to ensure that he has appropriate understanding of the business and operations of the Company and that he is fully aware of his responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The Company shall consider to engage external legal and other professional advisers for providing professional briefing and training programmes to the directors where circumstances arise. Continuing briefings and professional development to directors will be arranged whenever necessary.

Board Meetings

Board Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to directors in advance.

Notices of regular Board meetings are served to all directors at least fourteen days before the meetings and reasonable notice is generally given for other Board meetings. For committee meetings, notices are served in accordance with the required notice period stated in the relevant terms of reference.

Board papers together with all appropriate, complete and reliable information are sent to all directors/committee members at least three days before each Board meeting or committee meeting to keep the directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management whenever necessary.

The senior management, Financial Controller or Company Secretary attended some regular Board meetings and when necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company.

The Company Secretary/secretary of the Committees is responsible to take and keep minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

The Company's Articles of Association contains provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest. According to current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting.

Corporate Governance Report

Directors' Attendance Records

During the year ended 31 March 2009, two regular Board meetings were held for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

Code provision A.1.1 stipulates that Board meetings should be held at least four times a year at approximately quarterly intervals. There were twelve Board meetings held during the year under review, two of which were regular meetings held for approving the final results for the year ended 31 March 2008 and interim results for the period ended 30 September 2008 respectively. The other Board meetings were held as and when the business and operational needs arose.

The attendance records of each director at the meetings of the Board, Audit Committee, Remuneration Committee and Nomination Committee during the year ended 31 March 2009 are set out below:

		Attendance/Number of Meetings		
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Executive Directors:				
Li Song Xiao	4/12	–	–	–
Yuan Kun	11/12	–	–	–
Lu Zhao Qun (resigned on 21 April 2009)	12/12	–	–	–
Song Xuan	4/12	–	–	–
Xu Xiao Yang (appointed on 21 July 2008)	3/10	–	–	–
Non-Executive Director:				
Yin Jie (resigned on 2 September 2008)	2/5	–	–	–
Independent Non-Executive Directors:				
Gao Ling	4/12	2/2	1/1	1/1
Cui Yong	4/12	2/2	1/1	1/1
Zhang Qing Lin	4/12	2/2	1/1	1/1

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as amended by the 2009 Listing Rules Amendment.

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 2009.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

Corporate Governance Report

Delegation by the Board

The Board takes responsibility for all major matters of the Company including: the setting of objectives and overall strategies, the approval and monitoring of all policy matters, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The Board delegates day-to-day management, administration and operation of the Company to the senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the senior management. The Board has the full support of the senior management to discharge its responsibilities.

The Board has established 3 committees, namely the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference which are posted on the Company's website and are available to shareholders upon request.

Remuneration of Directors and Senior Management

The Company has established a formal and transparent procedure for formulating policies on remuneration and senior management of the Group. Details of the remuneration of each of the directors of the Company for the year ended 31 March 2009 are set out in note 8 to the financial statements.

Remuneration Committee

The Remuneration Committee comprises three members, namely Mr. Cui Yong (Chairman), Mr. Gao Ling and Mr. Zhang Qing Lin, all of them are independent non-executive directors.

The primary objectives of the Remuneration Committee include:

(a) to make recommendations on the establishment of procedures for developing remuneration policy and structure of the executive directors and the senior management, such policy shall ensure that no director or any of his associates will participate in deciding his own remuneration;

(b) to make recommendations on the remuneration packages of the executive directors and the senior management;

(c) to review and approve the remuneration packages of the executive directors and the senior management by reference to the performance of the individual and the Company as well as market practice and conditions; and

(d) to review and approve the compensation arrangements for the executive directors and the senior management.

Corporate Governance Report

The Human Resources Department is responsible for collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration. The Remuneration Committee shall consult the Chairman of the Company about these recommendations on remuneration policy and structure and remuneration packages.

The Remuneration Committee has reviewed the remuneration policy and structure of the Company, and the remuneration packages of the executive directors and the senior management for the year under review.

The Remuneration Committee held one meeting during the year ended 31 March 2009 and the attendance records are set out under "Directors' Attendance Records" on page 22.

Accountability and Audit

Directors' Responsibilities for Financial Reporting in Respect of Financial Statements

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 March 2009.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The senior management provides such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial information and position of the Company put to the Board for approval.

Internal Controls

During the year under review, the Board, with the support of the Audit Committee and the engagement of an external professional adviser, has conducted a review of the effectiveness of the internal control system of the Group. Such review covered the financial, operational, compliance and risk management aspects of the Group including the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget.

The Board is responsible for maintaining an adequate internal control system to safeguard shareholder investments and the assets of the Company and with the support of the Audit Committee, reviewing the effectiveness of such system on an annual basis.

The internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group. The senior management shall review and evaluate the control process and monitor any risk factors on a regular basis and report to the Audit Committee on any findings and measures to address the variances and identified risks.

Corporate Governance Report

Audit Committee

The Audit Committee comprises three members, namely Mr. Gao Ling (Chairman), Mr. Cui Yong and Mr. Zhang Qing Lin, all of them are independent non-executive directors (including one independent non-executive director who possesses the appropriate professional qualifications or accounting or related financial management expertise). None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The main duties of the Audit Committee include the following:

(a) to review the financial statements and reports and consider any significant or unusual items raised by staff responsible for the accounting and financial reporting function or external auditor before submission to the Board;

(b) to review the relationship with the external auditor by reference to the work performed by the auditor, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditor; and

(c) to review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

During the year under review, the Audit Committee has reviewed the Group's annual results and annual report for the year ended 31 March 2008 and the interim results for the period ended 30 September 2008, the financial reporting and compliance procedures, risk management review and processes and the re-appointment of the external auditor.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

There is no different view taken by the Audit Committee regarding the selection, appointment, resignation or dismissal of external auditor.

The Audit Committee held two meetings during the year ended 31 March 2009 and the attendance records are set out under "Directors' Attendance Records" on page 22.

External Auditor and Auditor's Remuneration

The statement of the external auditor of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on pages 28 to 29.

Corporate Governance Report

During the year ended 31 March 2009, the remuneration paid to the Company's auditor, CCIF CPA Limited, is set out below:

Category of services	Fee paid/payable
Audit service	HK$900,000
Non-audit service	
– reviewing the preliminary announcement of results	HK$40,000
Total	HK$940,000

Communications with Shareholders and Investors

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognises the importance of transparency and timely disclosure of corporate information which enables shareholders and investors to make the best investment decision.

The general meetings of the Company provide an important channel for communication between the Board and the shareholders. The Chairman of the Board as well as chairmen of the Audit Committee, Remuneration Committee and Nomination Committee or, in their absence, other members of the respective committees and, where applicable, the independent Board committee, normally attend the annual general meeting and other relevant shareholders' meetings to answer questions at the shareholders' meetings.

Subsequent to the 2009 Listing Rules Amendment, the Company has convened and held an Extraordinary General Meeting on 13 February 2009 and the Company has given more than 10 clear business days' notice for this meeting.

The Company continues to enhance communications and relationships with its investors. Designated senior management maintains regular dialogue with institutional investors and analysts to keep them abreast of the Company's developments. Enquiries from investors are dealt with in an informative and timely manner.

As a channel to promote effective communication, the Company maintains a website at www.yardwaygroup.com.hk, where up-to-date information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access. Shareholders and investors may write directly to the Company at its principal place of business in Hong Kong or via facsimile at (852) 2511-1878 for any inquiries.

Code provision E.1.2 stipulates that the Chairman should attend the annual general meeting. Mr. Li Song Xiao, Chairman of the Board, was unable to attend the 2008 annual general meeting due to business engagement, but Mr. Lu Zhao Qun, an ex-executive director who resigned on 21 April 2009, has been delegated to attend and answer questions on his behalf at the annual general meeting. Mr. Li will use his endeavours to attend all future shareholders' meetings of the Company.

Corporate Governance Report

Code provision E.1.2 also stipulates that the chairman of the independent Board committee should be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval. The Chairman of the independent Board committee was unable to attend the Extraordinary General Meeting held on 10 October 2008 in relation to a connected transaction due to business engagement, but a member of the senior management has been delegated to attend and answer questions on his behalf at this meeting. Arrangement will be made for the Chairman of the independent Board committee to be available to answer questions at all future general meetings at which a connected transaction or any other transaction is required to be approved by the independent shareholders.

Shareholders' Rights

To safeguard the shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors.

All resolutions put forward at a shareholders' meeting will be taken by poll pursuant to the Listing Rules and the poll results will be posted on the website of the Company and Hong Kong Exchanges and Clearing Limited after the shareholders' meeting.

Independent Auditor's Report

CCIF
CCIF CPA LIMITED
20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF YARDWAY GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Yardway Group Limited (the "Company") and its subsidiaries (collectively the "Group") set out on pages 30 to 109, which comprise the consolidated and Company balance sheets as at 31 March 2009 and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of the report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion

Independent Auditor's Report

on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2009 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Certified Public Accountants
CCIF CPA Limited
Hong Kong, 22 July 2009

Alvin Yeung
Practising Certificate Number P05206

Consolidated Income Statement

For the year ended 31 March 2009

	NOTE	2009 HK$'000	2008 HK$'000
Turnover	4	**189,357**	298,865
Cost of sales		**(147,867)**	(248,629)
Gross profit		**41,490**	50,236
Other revenue	5(a)	**1,140**	4,886
Other net (expenses)/income	5(b)	**(2,383)**	7,391
Distribution costs		**(20,114)**	(20,598)
Administrative expenses		**(33,404)**	(36,763)
Net surplus on revaluation of leasehold land and buildings	15(a)	**505**	200
Valuation (loss)/gain on investment properties	16	**(870)**	960
Gain on disposal of subsidiaries	34	**–**	295
Gain on disposal of jointly controlled entities	35	**–**	4,658
Excess of the Group's share of net fair value of interest in a subsidiary acquired over the cost of acquisition	36	**–**	113
(LOSS)/PROFIT FROM OPERATIONS		**(13,636)**	11,378
Finance costs	6(a)	**(1,019)**	(2,347)
(LOSS)/PROFIT BEFORE TAXATION	6	**(14,655)**	9,031
Income tax	7(a)	**(172)**	(2,241)
(LOSS)/PROFIT FOR THE YEAR		**(14,827)**	6,790
Attributable to:			
Equity shareholders of the Company	10&32(a)	**(14,810)**	7,104
Minority interests	32(a)	**(17)**	(314)
(LOSS)/PROFIT FOR THE YEAR		**(14,827)**	6,790
(LOSS)/EARNINGS PER SHARE	12		
– Basic (2008: restated)		**(1.87) cents**	1.25 cents
– Diluted (2008: restated)		**(1.87) cents**	1.23 cents

The notes on pages 37 to 109 form part of these financial statements.

Consolidated Balance Sheet

As at 31 March 2009

	NOTE	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Interest in leasehold land held for own use under operating leases	14	**1,090**	1,094
Property, plant and equipment	15	**47,618**	47,644
Investment properties	16	**5,890**	6,760
Goodwill	17	**–**	–
Deferred tax assets	27(b)	**242**	237
		54,840	55,735
CURRENT ASSETS			
Trading securities	19	**26,385**	41
Inventories	20	**22,314**	28,121
Trade and other receivables	21	**79,987**	127,285
Current taxation recoverable	27(a)	**105**	1,926
Pledged bank deposits	23	**11,717**	8,348
Cash and cash equivalents	23	**119,230**	62,731
		259,738	228,452
CURRENT LIABILITIES			
Trade and other payables	24	**117,387**	141,494
Bank loans and overdrafts	25	**2,231**	12,965
Obligations under finance leases	26	**396**	396
Current taxation	27(a)	**256**	1,005
Provision for warranty	28	**–**	–
		120,270	155,860
NET CURRENT ASSETS		**139,468**	72,592
TOTAL ASSETS LESS CURRENT LIABILITIES		**194,308**	128,327
NON-CURRENT LIABILITIES			
Bank loans	25	**3,883**	5,328
Obligations under finance leases	26	**66**	462
Deferred tax liabilities	27(b)	**2,450**	849
		6,399	6,639
NET ASSETS		**187,909**	121,688

Consolidated Balance Sheet

As at 31 March 2009

	NOTE	2009 HK$'000	2008 HK$'000
CAPITAL AND RESERVES			
Share capital	*31*	**55,825**	28,825
Reserves	*32(a)*	**132,084**	92,278
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		**187,909**	121,103
MINORITY INTERESTS		**–**	585
TOTAL EQUITY		**187,909**	121,688

Approved and authorised for issue by the board of directors on 22 July 2009.

Li Song Xiao
Director

Yuan Kun
Director

The notes on pages 37 to 109 form part of these financial statements.

Balance Sheet

As at 31 March 2009

	NOTE	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Plant and equipment	15	**81**	104
Interest in subsidiaries	18	**90,470**	84,155
		90,551	84,259
CURRENT ASSETS			
Trade and other receivables	21	**259**	235
Cash and cash equivalents	23	**91,302**	23,788
		91,561	24,023
CURRENT LIABILITIES			
Trade and other payables	24	**816**	1,209
Financial guarantee liability	29	**1,260**	–
		2,076	1,209
NET CURRENT ASSETS		**89,485**	22,814
NET ASSETS		**180,036**	107,073
CAPITAL AND RESERVES			
Share capital	31	**55,825**	28,825
Reserves	32(b)	**124,211**	78,248
TOTAL EQUITY		**180,036**	107,073

Approved and authorised for issue by the board of directors on 22 July 2009.

Li Song Xiao
Director

Yuan Kun
Director

The notes on pages 37 to 109 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2009

		Attributable to equity shareholders of the Company										
	Note	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Contributed surplus HK$'000	Exchange reserve HK$'000	Revaluation reserve – land and buildings HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 April 2007		28,085	3,873	(4,389)	(180)	789	7,366	320	69,828	105,692	899	106,591
Shares issued under share option scheme	30(b)	740	1,258	(444)	–	–	–	–	–	1,554	–	1,554
Exchange differences on translation of the financial statements of PRC subsidiaries		–	–	–	–	1,244	–	–	–	1,244	–	1,244
Revaluation surplus, net of deferred tax		–	–	–	–	–	4,966	–	–	4,966	–	4,966
Equity-settled share-based transactions		–	–	543	–	–	–	–	–	543	–	543
Transfer to other reserves		–	–	–	–	–	–	1,624	(1,624)	–	–	–
Share options lapsed		–	–	(375)	–	–	–	–	375	–	–	–
Disposal of subsidiaries		–	–	4,665	–	–	–	–	(4,665)	–	–	–
Profit for the year		–	–	–	–	–	–	–	7,104	7,104	(314)	6,790
At 31 March 2008		28,825	5,131	–	(180)	2,033	12,332	1,944	71,018	121,103	585	121,688
At 1 April 2008		28,825	5,131	–	(180)	2,033	12,332	1,944	71,018	121,103	585	121,688
Issue of shares	31(a)(i)	27,000	54,000	–	–	–	–	–	–	81,000	–	81,000
Share issue expenses		–	(298)	–	–	–	–	–	–	(298)	–	(298)
Acquisition of minority interests		–	–	–	–	–	–	–	–	–	(568)	(568)
Exchange differences on translation of the financial statements of PRC subsidiaries		–	–	–	–	448	–	–	–	448	–	448
Revaluation surplus, net of deferred tax		–	–	–	–	–	466	–	–	466	–	466
Disposal of leasehold land and buildings		–	–	–	–	–	(1,627)	–	1,627	–	–	–
Transfer to other reserves		–	–	–	–	–	–	350	(350)	–	–	–
Loss for the year		–	–	–	–	–	–	–	(14,810)	(14,810)	(17)	(14,827)
At 31 March 2009		**55,825**	**58,833**	**–**	**(180)**	**2,481**	**11,171**	**2,294**	**57,485**	**187,909**	**–**	**187,909**

The notes on pages 37 to 109 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 March 2009

	NOTE	2009 HK$'000	2008 HK$'000
OPERATING ACTIVITIES			
(Loss)/profit before taxation		**(14,655)**	9,031
Adjustments for:			
Valuation loss/(gain) on investment properties		**870**	(960)
Net surplus on revaluation of leasehold land and buildings		**(505)**	(200)
Net (gain)/loss from fair value changes of derivative financial instruments		**(9)**	183
Gain on disposal of subsidiaries	*34*	**–**	(295)
Gain on disposal of jointly controlled entities	*35*	**–**	(4,658)
Excess of the Group's share of net fair value of interest in a subsidiary acquired over the cost of acquisition		**–**	(113)
Depreciation		**3,566**	4,289
Amortisation of land lease premium		**24**	24
Impairment losses on trade receivables		**1,935**	633
Impairment losses on amounts due from jointly controlled entities		**–**	1,099
Impairment loss on goodwill		**332**	–
Write-down of inventories		**2,211**	3,726
Finance costs		**1,019**	2,347
Dividend income from listed securities		**(1)**	(13)
Interest income		**(621)**	(1,120)
Net loss on disposal of property, plant and equipment		**43**	219
Gain on disposal of investment properties	*5(b)*	**–**	(884)
Net loss/(gain) on sale of trading securities		**10**	(269)
Net unrealised loss on trading securities at fair value		**3,558**	25
Foreign exchange loss/(gain)		**160**	(1,359)
Equity-settled share-based payment expenses		**–**	543
OPERATING (LOSS)/PROFIT BEFORE CHANGES IN WORKING CAPITAL		**(2,063)**	12,248
Decrease/(increase) in inventories		**3,946**	(10,900)
Decrease/(increase) in trade and other receivables		**45,363**	(45,649)
(Decrease)/increase in trade and other payables		**(24,310)**	47,892
Increase in provision for warranty		**–**	6
CASH GENERATED FROM OPERATIONS		**22,936**	3,597
Income tax refund/(paid)			
– Hong Kong		**2,008**	(112)
– The PRC		**(1,125)**	(1,394)
		883	(1,506)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**23,819**	2,091

Consolidated Cash Flow Statement

For the year ended 31 March 2009

	NOTE	2009 HK$'000	2008 HK$'000
INVESTING ACTIVITIES			
Net cash inflow from disposal of subsidiaries	34	–	1,660
Net cash inflow from disposal of jointly controlled entities	35	–	1,284
Net cash inflow on acquisition of a subsidiary	36	–	1,657
Payment for acquisition of minority interests in a subsidiary		(900)	–
Payment for the purchase of property, plant and equipment		(1,613)	(6,793)
Proceeds from disposal of property, plant and equipment		993	1,249
Net proceeds from disposal of investment properties		–	17,684
Payment for purchase of trading securities		(29,970)	–
Proceeds from sale of trading securities		58	744
(Increase)/decrease in pledged bank deposits		(3,336)	2,433
Interest income received		621	1,120
Dividends received from listed securities		1	13
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES		(34,146)	21,051
FINANCING ACTIVITIES			
Capital element of finance lease rentals paid		(396)	(909)
Proceeds from new bank loans		83,797	53,707
Repayment of bank loans		(93,286)	(60,852)
Proceeds from shares issued under share option scheme		–	1,554
Net proceeds from issue of new shares		80,702	–
Interest paid		(966)	(2,271)
Finance charges on finance lease rentals paid		(53)	(76)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES		69,798	(8,847)
NET INCREASE IN CASH AND CASH EQUIVALENTS		59,471	14,295
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		59,880	43,769
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET		(282)	1,816
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	23	119,069	59,880

The notes on pages 37 to 109 form part of these financial statements.

Notes to the Financial Statements

For the year ended 31 March 2009

1. Organisation and principal activities

Yardway Group Limited (the "Company") is a limited liability company incorporated in the Cayman Islands on 31 August 2001 and its shares are listed on Main Board of The Stock Exchange of Hong Kong Limited.

The Company is an investment holding company. The principal activities of the subsidiaries are set out in note 18 to the financial statements.

2. Significant accounting policies

a) Statement of compliance

These 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. 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. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain amendments and interpretations which are or have become effective. It has also issued certain new and revised HKFRSs which are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2009 comprise the Company and its subsidiaries (together referred to as the "Group").

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity. These financial statements are presented in Hong Kong dollars ("HK$"), rounded to the nearest thousand except for per share data. Hong Kong dollar is the Company's functional and presentation currency.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– investment in equity securities (see note 2(e));

– derivative financial instruments (see note 2(g));

– leasehold land and buildings (see note 2(i)); and

– investment property (see note 2(h)).

Notes to the Financial Statements

For the year ended 31 March 2009

2. Significant accounting policies (Continued)

b) Basis of preparation of the financial statements (Continued)

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 40.

c) Subsidiaries and minority interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. 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 represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Notes to the Financial Statements

For the year ended 31 March 2009

2. Significant accounting policies (Continued)

c) Subsidiaries and minority interests (Continued)

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable 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 additional investment to cover the losses, If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

In the Company's balance sheet, an interest in a subsidiary is stated at cost less impairment losses (see note 2(k)).

d) Jointly controlled entities

A jointly controlled entity is an entity which operates under a contractual agreement between the Group or Company and other parties. Where the contractual arrangement establishes that the Group or Company and one or more of the other parties share joint control over the economic activity of the entity. The consolidated financial statements include the Group's proportionate share of the enterprise's assets, liabilities, revenue and expenses with items of a similar nature on a line by line basis, from the date that joint control commences until the date that joint control ceases.

Unrealised profits and losses resulting from transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group interest in the jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the profit or loss.

e) Investment in equity securities

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognsied in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in note 2(u)(iv).

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

f) Goodwill

Goodwill represents the excess of the cost of a business over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 2(k)).

Notes to the Financial Statements

For the year ended 31 March 2009

2. Significant accounting policies (Continued)

f) Goodwill (Continued)

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination is recognised immediately in profit or loss.

Goodwill arising on acquisitions prior to 1 January 2001

Goodwill arising on acquisitions of net assets and operations of another entity or a jointly controlled entity prior to 1 January 2001 continues to be held in reserves, and will be charged to the retained earnings at the time when the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

g) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is charged immediately to profit or loss.

h) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(j)) to earn rental income and/or capital appreciation. These include land held for a currently undetermined future use.

Investment properties are stated in the balance sheet at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(u)(ii).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 2(j)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 2(j).

i) Property, plant and equipment

The following properties held for own use are stated in the balance sheet at their revalued amount, being their fair value at the date of the revaluation less any subsequent accumulated depreciation:

– land held under operating leases and buildings thereon, where the fair values of the leasehold interest in the land and buildings cannot be measured separately at the inception of the lease and the building is not clearly held under an operating lease (see note 2(j)).

Notes to the Financial Statements

For the year ended 31 March 2009

2. Significant accounting policies (Continued)

i) Property, plant and equipment (Continued)

Revaluations are performed with sufficient regularity to ensure the carrying amount of these assets does not differ materially from that which would be determined using fair values at the balance sheet date.

Changes arising on the revaluation of properties held for own use are generally dealt with in reserves, the only exceptions are as follows:

– when a deficit arises on revaluation, it will be charged to profit or loss to the extent that it exceeds the amount held in the reserve in respect of that same asset immediately prior to the revaluation; and

– when a surplus arises on revaluation, it will be credited to profit or loss to the extent that a deficit on revaluation in respect of that same asset had previously been charged to profit or loss.

Other items of property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 2(k)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained earnings.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years from the date of completion.

– Furniture, fixtures and equipment 5 years

– Motor vehicles 3 to 5 years

No depreciation is provided in respect of construction in progress.

Both the useful life of an asset and its residual value, if any, are reviewed annually.

Notes to the Financial Statements

For the year ended 31 March 2009

2. Significant accounting policies (Continued)

j) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exception:

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

ii) 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 over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(i). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(k). Finance charges implicit in the lease payments are charged to profit or loss 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.

iii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss 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 profit or loss as an integral part of the aggregate net lease payments made.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 2(h)).

Notes to the Financial Statements

For the year ended 31 March 2009

2. Significant accounting policies (Continued)

k) Impairment of assets

i) Impairment of investment in equity securities and other receivables

Investments in equity securities (other than investments in subsidiaries, associates and jointly controlled entities: see note 2(k)(ii)) and other current and non-current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– it becomes probable that the debtor will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Notes to the Financial Statements

For the year ended 31 March 2009

2. Significant accounting policies (Continued)

k) Impairment of assets (Continued)

i) Impairment of investment in equity securities and other receivables (Continued)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired.

– interest in leasehold land held for own use under operating leases;

– property, plant and equipment; and

– interest in subsidiaries and jointly controlled entities.

If any such indication exists, the asset's recoverable amount is estimated. In addition, intangible assets that are not yet available for use, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– 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).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) on a pro rata basis, except that the carrying amount of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

Notes to the Financial Statements

For the year ended 31 March 2009

2. Significant accounting policies (Continued)

k) Impairment of assets (Continued)

ii) Impairment of other assets (Continued)

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss 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 profit or loss in the year in which the reversals are recognised.

l) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see note 2(k)).

Impairment losses recognised in an interim period in respect of goodwill and available-for-sale equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

m) 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 is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Notes to the Financial Statements

For the year ended 31 March 2009

2. Significant accounting policies (Continued)

n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 2(k)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see note 2(k)).

o) Interest-bering borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

p) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(t)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

q) 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 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 consolidated cash flow statement.

r) Employee benefits

i) Short term employee benefits and contributions to defined contribution retirement plans

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

Notes to the Financial Statements

For the year ended 31 March 2009

2. Significant accounting policies (Continued)

r) Employee benefits (Continued)

ii) Share based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained earnings).

iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

s) Income tax

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 profit or loss to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

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.

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.

Notes to the Financial Statements

For the year ended 31 March 2009

2. Significant accounting policies (Continued)

s) Income tax (Continued)

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 limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

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 profits 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.

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 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

Notes to the Financial Statements

For the year ended 31 March 2009

2. Significant accounting policies (Continued)

s) Income tax (Continued)

– 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.

t) Financial guarantees issued, provisions and contingent liabilities

i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary to the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(t)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

ii) Other provisions and contingent liabilities

Provisions are recognised for liabilities of other uncertain timing or amount when the Group or the Company 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 expenditure 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.

Notes to the Financial Statements

For the year ended 31 March 2009

2. Significant accounting policies (Continued)

u) 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 profit or loss 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 profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable.

iii) *Commission, service and management fee income*

Commission, service and management fee income are recognised when services are rendered.

iv) *Dividend income from listed investments*

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

v) *Interest income*

Interest income is recognised as it accrues using the effective interest method.

v) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in the profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of PRC and foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity.

Notes to the Financial Statements

For the year ended 31 March 2009

2. Significant accounting policies (Continued)

v) Translation of foreign currencies (Continued)

On disposal of a PRC or a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that operation is included in the calculation of the profit or loss on disposal.

w) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred.

x) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

ii) the Group and the party are subject to common control;

iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

y) 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.

Notes to the Financial Statements

For the year ended 31 March 2009

2. Significant accounting policies (Continued)

y) Segment reporting (Continued)

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, trade receivables and property, plant and equipment. 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 entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

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, tax balances, corporate and financing expenses.

3. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group has where applicable applied the following amendments and interpretations ("new HKFRSs") issued by the HKICPA which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The application of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior adjustment is required.

Notes to the Financial Statements

For the year ended 31 March 2009

3. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

The Group has not early applied any of the following new and revised standards, amendments or interpretations which have been issued but are not yet effective for annual periods beginning on 1 April 2008.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[8]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligation Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible hedged items[3]
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standard[3]
HKFRS 2 (Amendments)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7 (Amendments)	Improving disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Reassessment of Embedded Derivatives[7]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[4]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[5]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[3]
HK(IFRIC) – Int 18	Transfers of Assets from Customers[6]

1 Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.
2 Effective for annual periods beginning on or after 1 January 2009.
3 Effective for annual periods beginning on or after 1 July 2009.
4 Effective for annual periods beginning on or after 1 July 2008.
5 Effective for annual periods beginning on or after 1 October 2008.
6 Effective for transfers of assets from customers received on or after 1 July 2009.
7 Effective for annual periods ending on or after 30 June 2009.
8 Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate.

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

The Company's directors anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

Notes to the Financial Statements

For the year ended 31 March 2009

4. Turnover

The principal activities of the Group are trading of vehicles, machinery, equipment, 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.

	2009	2008
	HK$'000	HK$'000
Sales of goods	**161,679**	274,385
Service income	**25,206**	16,862
Commission income	**2,472**	7,618
	189,357	298,865

5. Other revenue and net (expenses)/income

	2009	2008
	HK$'000	HK$'000
a) Other revenue		
Interest income on bank deposits	**621**	1,120
Total interest income on financial assets not at fair value through profit or loss	**621**	1,120
Gross rental income from investment properties	**432**	1,816
Management fee income	**31**	120
Dividend income from listed securities	**1**	13
Compensation income *(Note)*	**–**	1,710
Others	**55**	107
	1,140	4,886

Note: The compensation income of approximately HK$1,710,000 was received from a customer for termination of a contract in relation to the distribution and after sales service and related spare parts provided by the Group.

Notes to the Financial Statements

For the year ended 31 March 2009

5. Other revenue and net (expenses)/income (Continued)

	2009 HK$'000	2008 HK$'000
b) Other net (expenses)/income		
Impairment losses on goodwill *(note 17)*	**(332)**	–
Net exchange gain	**1,560**	6,482
Net loss on disposal of property, plant and equipment	**(43)**	(219)
Gain on disposal of investment properties	**–**	884
Net (loss)/gain on sale of trading securities	**(10)**	269
Net unrealised loss on trading securities carried at fair value	**(3,558)**	(25)
	(2,383)	7,391

6. (Loss)/profit before taxation

(Loss)/profit before taxation is arrived at after charging/(crediting) the following:

	2009 HK$'000	2008 HK$'000
a) Finance costs		
Interest on bank borrowings wholly repayable within five years	**846**	1,882
Interest on bank borrowings not wholly repayable within five years	**120**	389
Finance charges on obligations under finance leases	**53**	76
Total interest expenses on financial liabilities not at fair value through profit or loss	**1,019**	2,347
b) Staff costs (including directors' emoluments)		
Contributions to defined contribution retirement plans	**1,543**	1,335
Equity-settled share-based payment expenses	**–**	543
Salaries, wages and other benefits	**27,857**	27,768
	29,400	29,646

Notes to the Financial Statements

For the year ended 31 March 2009

6. (Loss)/profit before taxation (Continued)

(Loss)/profit before taxation is arrived at after charging/(crediting) the following:

	2009 HK$'000	2008 HK$'000
c) Other items		
Amortisation of land lease premium	**24**	24
Cost of inventories *(note 20)*	**135,029**	233,202
Depreciation		
– assets held for own use under finance leases	**354**	207
– other assets	**3,212**	4,082
Impairment losses on trade and other receivables	**1,935**	633
Impairment losses on amounts due from jointly controlled entities	**–**	1,099
Increase in provision for warranty costs	**–**	6
Auditor's remuneration		
– audit services	**916**	932
– other services	**40**	133
Net (gain)/loss on fair value changes of derivative financial instruments	**(9)**	183
Operating lease charges in respect of properties:		
– minimum lease payments	**2,663**	2,287
Gross rental income from investment properties	**432**	1,816
Direct operating expenses arising from		
– investment properties that generated rental income	**–**	49
– investment properties that did not generate rental income	**27**	28
	27	77

Notes to the Financial Statements

For the year ended 31 March 2009

7. Income tax in the consolidated income statement

a) Income tax in the consolidated income statement represents:

	2009 HK$'000	2008 HK$'000
Current tax		
Hong Kong profits tax	**151**	22
PRC enterprise income tax	**334**	2,187
	485	2,209
Over-provision in respect of prior years		
Hong Kong profits tax	**(296)**	–
	189	2,209
Deferred tax		
Current year	**(21)**	32
Attributable to a change in tax rate	**4**	–
	(17)	32
Total	**172**	2,241

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 and reduced corporate profits tax rate from 17.5% to 16.5% which is effective from the year of assessment 2008/2009. Hong Kong Profits Tax is calculated at 16.5% (2008: 17.5%) of the estimated assessable profit for the year.

Yardway Logistics Equipment (Zhuhai) Company Limited ("Yardway Zhuhai") is a foreign investment enterprise entitled to exemption from PRC Enterprise Income Tax for two years starting from the first profit-making year, followed by a 50% relief for the three years thereafter. The tax exemption period had been expired. Yardway Zhuhai is subject to a preferential tax rate of 15%, 18% and 20% for the calendar years of 2007, 2008 and 2009, respectively.

Yardway Advance Power Equipment (Beijing) Co Ltd ("Yardway Beijing") is a foreign investment enterprise subject to PRC Enterprise Income Tax of 33% for the calendar year of 2007 and 25% from 1 January 2008.

On 16 March 2007, the People's Republic of China promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations decrease the tax rate for Yardway Beijing from 33% to 25% from 1 January 2008 and increase the tax rate for Yardway Zhuhai on a progressive basis to 25% in the calendar year of 2012, over a period of five years.

Notes to the Financial Statements

For the year ended 31 March 2009

7. Income tax in the consolidated income statement (Continued)

a) Income tax in the consolidated income statement represents: (Continued)

Withholding tax (applicable to PRC subsidiaries which pays dividend, interest, rent, royalty to non-resident companies).

Pursuant to the new PRC Corporate Income Tax Law which took effect from 1 January 2008, a 10% withholding tax was levied on dividends declared to foreign enterprise investors from the PRC effective 1 January 2008. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign enterprise investors.

On 22 February 2008, Caishui (2008) No. 1 was promulgated by the PRC tax authorities to specify that dividends declared and remitted out of the PRC from the retained earnings as at 31 December 2007 determined based on the relevant PRC tax laws and regulations are exempted from the withholding tax.

Deferred tax liabilities of HK$127,000 have not been recognised, as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that certain of the profits earned by the Group's PRC subsidiaries since 1 January 2008 will not be distributed in the foreseeable future.

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

	2009	2008
	HK$'000	HK$'000
(Loss)/profit before taxation	**(14,655)**	9,031
Notional tax on (loss)/profit before taxation, calculated at the tax rates applicable to (loss)/profit in the tax jurisdictions concerned	**(2,291)**	2,076
Tax effect of non-deductible expenses	**2,190**	1,018
Tax effect of non-taxable income	**(418)**	(2,067)
Tax effect of unused tax losses not recognised	**1,411**	1,729
Tax effect of utilization of unused tax losses not recognised in prior years	**(428)**	(515)
Increase in opening of deferred tax liability resulting from a change in tax rate	**4**	–
Over provision in prior years	**(296)**	–
Actual tax expense	**172**	2,241

Notes to the Financial Statements

For the year ended 31 March 2009

8. Directors' emoluments

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

Year ended 31 March 2009

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement scheme contributions HK$'000	Sub-total HK$'000	Share–based payments HK$'000 *(Note (a))*	Total HK$'000
Executive directors						
Li Song Xiao	–	390	–	390	–	390
Yuan Kun	–	260	–	260	–	260
Lu Zhao Qun (resigned on 21/4/2009)	–	1,175	–	1,175	–	1,175
Song Xuan	–	–	–	–	–	–
Xu Xiao Yang (appointed on 21/7/2008)	–	465	–	465	–	465
Independent non-executive directors						
Gao Ning	120	–	–	120	–	120
Cui Yong	120	–	–	120	–	120
Zhang Qing Lin	120	–	–	120	–	120
Non-executive director						
Yin Jie (resigned on 2/9/2008)	–	–	–	–	–	–
	360	2,290	–	2,650	–	2,650

Notes to the Financial Statements

For the year ended 31 March 2009

8. Directors' emoluments (Continued)

Year ended 31 March 2008

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement scheme contributions HK$'000	Sub-total HK$'000	Share based payments HK$'000 *(Note (a))*	Total HK$'000
Executive directors						
Li Song Xiao (appointed on 21/9/2007)	–	188	–	188	–	188
Yuan Kun (appointed on 21/9/2007)	–	125	–	125	–	125
Lu Zhao Qun (appointed on 21/9/2007 and resigned on 21/4/2009)	–	497	3	500	47	547
Song Xuan (appointed on 21/9/2007)	–	–	–	–	–	–
Fong Kit Wah, Alan (resigned on 11/10/2007)	–	1,001	6	1,007	121	1,128
Rourke James Grierson (resigned on 11/10/2007)	–	336	6	342	47	389
Cheung Miu Sin (resigned on 11/10/2007)	–	234	6	240	47	287
Independent non-executive directors						
Gao Ning (appointed on 21/9/2007)	60	–	–	60	–	60
Cui Yong (appointed on 21/9/2007)	60	–	–	60	–	60
Zhang Qing Lin (appointed on 11/10/2007)	60	–	–	60	–	60
Wong Man Chung, Francis (resigned on 11/10/2007)	54	–	–	54	47	101
Chan Ting Kwong (resigned on 11/10/2007)	54	–	–	54	47	101
Fung Siu Wan, Stella (resigned on 11/10/2007)	54	–	–	54	47	101
Non-executive director						
Yin Jie (resigned on 2/9/2008)	–	–	–	–	47	47
	342	2,381	21	2,744	450	3,194

Note: a) These represented the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options was measured according to the Group's accounting policies for share-based payment transactions as set out in note 2(r)(ii).

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share option scheme" in the directors' report and note 30.

b) During both years, no remuneration was paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any remuneration during both years.

Notes to the Financial Statements

For the year ended 31 March 2009

9. Individuals with highest emoluments

Of the five individuals with the highest emoluments in the Group, one (2008: three) is the director of the Company whose emoluments is included in the disclosure in note 8 above. The emoluments of the remaining four (2008: two) individuals are as follows:

	2009 HK$'000	2008 HK$'000
Salaries and other emoluments	**3,800**	1,071
Discretionary bonuses	**1,789**	345
Share-based payments	**–**	47
Retirement scheme contributions	**36**	12
	5,625	1,475

The emoluments of the four (2008: two) individuals with the highest emoluments are within the following bands:

	Number of individuals 2009	2008
HK$Nil – HK$1,000,000	**1**	2
HK$1,000,001 – HK$1,500,000	**2**	–
HK$1,500,001 – HK$2,000,000	**–**	–
HK$2,000,001 – HK$2,500,000	**–**	–
HK$2,500,001 – HK$3,000,000	**1**	–
	4	2

10. (Loss)/profit attributable to equity shareholders of the Company

The consolidated (loss)/profit attributable to equity shareholders of the Company includes a loss of HK$7,739,000 (2008: HK$4,777,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's (loss)/profit for the year.

	2009 HK$'000	2008 HK$'000
Amount of consolidated loss attributable to equity shareholders dealt with in the Company's financial statements	**(7,739)**	(4,777)
Final dividend from a subsidiary attributable to the profit of the previous financial year, approved and paid during the year	**–**	18,000
Company's (loss)/profit for the year *(note 32(b))*	**(7,739)**	13,223

Notes to the Financial Statements

For the year ended 31 March 2009

11. Dividends

The Board does not recommend the payment of any dividend for the year ended 31 March 2009 (2008: Nil).

12. (Loss)/earnings per share

a) Basic (loss)/earnings per share

The calculation of the basic (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of HK$14,810,000 (2008: profit of HK$7,104,000) and the weighted average number of 791,126,000 ordinary shares (2008: 569,690,000 ordinary shares) in issue during the year. The weighted average number of ordinary shares used in the calculation of basic earnings per share for the year ended 31 March 2008 has accounted for the share sub-division which was effective from 13 February 2009. The corresponding number of ordinary shares of 2008 has been retrospectively adjusted to reflect the said share sub-division.

b) Diluted (loss)/earnings per share

Diluted loss per share equals to the basic loss per share as there were no potential dilutive ordinary shares outstanding for the year ended 31 March 2009.

For the year ended 31 March 2008, the calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$7,104,000 and the weighted average number of ordinary shares of 577,780,000 shares.

Weighted average number of ordinary shares (diluted)

	Number of shares	
	2009	2008
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**791,126**	569,690
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	**–**	8,090
Weighted average number of ordinary shares (diluted) for the purpose of diluted earnings per share	**791,126**	577,780

The weighted average number of ordinary shares used in the calculation of diluted earnings per share for the year ended 31 March 2008 has accounted for the share sub-division which was effective from 13 February 2009. The corresponding number of ordinary shares of 2008 has been retrospectively adjusted to reflect the said share sub-division.

Notes to the Financial Statements

For the year ended 31 March 2009

13. 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.

a) Business segments

The Group comprises the following main business segments:

Sales and distribution:	the trading of vehicles, machinery and equipment
Provision of engineering services and sales of spare parts:	the provision of engineering services and sales of spare parts

Notes to the Financial Statements

For the year ended 31 March 2009

13. Segment reporting (Continued)

a) Business segments (Continued)

	Sales and distribution		Provision of engineering services and sales of spare parts		Unallocated		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**113,962**	236,285	**75,395**	62,580	**–**	–	**189,357**	298,865
Other revenue from external customers	**–**	–	**–**	–	**519**	3,766	**519**	3,766
Total	**113,962**	236,285	**75,395**	62,580	**519**	3,766	**189,876**	302,631
Segment results	**(9,425)**	9,960	**6,215**	1,680	**–**	–	**(3,210)**	11,640
Interest income							**621**	1,120
Unallocated operating income and expenses							**(11,047)**	(1,382)
(Loss)/profit from operations							**(13,636)**	11,378
Finance costs							**(1,019)**	(2,347)
Taxation							**(172)**	(2,241)
(Loss)/profit for the year							**(14,827)**	6,790
Other Information								
Depreciation and amortisation	**1,481**	2,344	**325**	255	**1,784**	1,714	**3,590**	4,313
Write-down of inventories	**2,211**	3,726	**–**	–	**–**	–	**2,211**	3,726
Impairment losses on trade receivables	**1,487**	633	**448**	–	**–**	–	**1,935**	633
Impairment losses on goodwill	**–**	–	**–**	–	**332**	–	**332**	–
Impairment losses on amounts due from jointly controlled entities	**–**	1,099	**–**	–	**–**	–	**–**	1,099
Capital expenditure incurred during the year	**559**	6,535	**7**	198	**1,047**	1,248	**1,613**	7,981
Valuation (loss)/gain on investment properties	**–**	–	**–**	–	**(870)**	960	**(870)**	960
Net surplus on revaluation of leasehold land and buildings	**–**	–	**–**	–	**505**	200	**505**	200
Segment assets	**175,536**	187,884	**19,788**	31,234			**195,324**	219,118
Unallocated assets							**119,254**	65,069
Total assets							**314,578**	284,187
Segment liabilities	**101,130**	124,881	**14,646**	21,287			**115,776**	146,168
Unallocated liabilities							**10,893**	16,331
Total liabilities							**126,669**	162,499

Notes to the Financial Statements

For the year ended 31 March 2009

13. Segment reporting (Continued)

b) 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		Other parts of the PRC		Europe		Others		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**34,673**	34,406	**135,654**	240,952	**18,789**	21,783	**241**	1,724	**189,357**	298,865
Segment assets	**213,400**	162,536	**101,178**	121,651	**–**	–	**–**	–	**314,578**	284,187
Capital expenditure incurred during the year	**1,260**	2,334	**353**	5,647	**–**	–	**–**	–	**1,613**	7,981

Notes to the Financial Statements

For the year ended 31 March 2009

14. Interest in leasehold land held for own use under operating leases

The Group

	HK$'000
Cost	
At 1 April 2007	1,083
Exchange adjustments	106
At 31 March 2008	1,189
At 1 April 2008	1,189
Exchange adjustments	22
At 31 March 2009	1,211
Accumulated amortisation	
At 1 April 2007	65
Exchange adjustments	6
Charge for the year	24
At 31 March 2008	95
At 1 April 2008	95
Exchange adjustments	2
Charge for the year	24
At 31 March 2009	121
Carrying amount	
At 31 March 2009	1,090
At 31 March 2008	1,094

The interest in leasehold land held for own use under operating leases represents prepaid operating lease payments in the PRC under medium-term lease which were amortised over the lease term of 50 years on a straight-line basis.

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For the year ended 31 March 2009

15. Property, plant and equipment

The Group

	Leasehold land and buildings HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost or valuation					
At 1 April 2007	27,870	17,015	3,013	1,456	49,354
Additions	–	2,610	1,747	3,624	7,981
Disposals	–	(2,927)	(1,621)	–	(4,548)
Surplus on revaluation	5,465	–	–	–	5,465
Less: Elimination of accumulated depreciation	(573)	–	–	–	(573)
Acquisition of a subsidiary *(note 36)*	–	31	–	–	31
Disposal of subsidiaries *(note 34)*	–	(232)	–	–	(232)
Disposal of jointly controlled entities *(note 35)*	–	(266)	–	–	(266)
Exchange difference	788	599	55	143	1,585
At 31 March 2008	33,550	16,830	3,194	5,223	58,797
Representing					
Cost	–	16,830	3,194	5,223	25,247
Valuation – 2008	33,550	–	–	–	33,550
	33,550	16,830	3,194	5,223	58,797
Cost or valuation					
At 1 April 2008	33,550	16,830	3,194	5,223	58,797
Additions	–	1,278	335	–	1,613
Transfer from construction in progress	5,319	–	–	(5,319)	–
Disposals	(720)	(4,036)	–	–	(4,756)
Surplus on revaluation	2,581	–	–	–	2,581
Less: Elimination of accumulated depreciation	(748)	–	–	–	(748)
Exchange difference	158	113	18	96	385
At 31 March 2009	40,140	14,185	3,547	–	57,872

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For the year ended 31 March 2009

15. Property, plant and equipment (Continued)

The Group

	Leasehold land and buildings HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Representing					
Cost	–	14,185	3,547	–	17,732
Valuation – 2009	40,140	–	–	–	40,140
	40,140	14,185	3,547	–	57,872
Accumulated depreciation					
At 1 April 2007	–	8,874	1,707	–	10,581
Charge for the year	573	2,941	775	–	4,289
Written back on disposal	–	(2,155)	(925)	–	(3,080)
Less: Elimination of accumulated depreciation	(573)	–	–	–	(573)
Disposal of subsidiaries *(note 34)*	–	(217)	–	–	(217)
Disposal of jointly controlled entities *(note 35)*	–	(34)	–	–	(34)
Exchange difference	–	156	31	–	187
At 31 March 2008	–	9,565	1,588	–	11,153
Accumulated depreciation					
At 1 April 2008	–	9,565	1,588	–	11,153
Charge for the year	762	2,096	708	–	3,566
Written back on disposal	(13)	(3,707)	–	–	(3,720)
Less: Elimination of accumulated depreciation	(749)	–	–	–	(749)
Exchange difference	–	(2)	6	–	4
At 31 March 2009	–	7,952	2,302	–	10,254
Carrying amount					
At 31 March 2009	40,140	6,233	1,245	–	47,618
At 31 March 2008	33,550	7,265	1,606	5,223	47,644

Notes to the Financial Statements

For the year ended 31 March 2009

15. Property, plant and equipment (Continued)

The Company

	Furniture, fixtures and equipment HK$'000
Cost	
At 1 April 2007	116
Additions	–
At 31 March 2008	116
At 1 April 2008 and 31 March 2009	116
Accumulated depreciation	
At 1 April 2007	–
Charge for the year	12
At 31 March 2008 and 1 April 2008	12
Charge for the year	23
At 31 March 2009	35
Carrying amount	
At 31 March 2009	81
At 31 March 2008	104

a) The Group's leasehold land and buildings were revalued as at 31 March 2009 on an open market value basis calculated by reference to (i) comparable market transactions in the relevant markets or (ii) a depreciated replacement cost basis calculated based on the current cost of replacement of a property less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. The valuations were carried out by an independent firm of surveyors, Jones Lang LaSalle Sallmanns Limited, who has among their staff members of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. The revaluation surplus of HK$505,000 (2008: HK$200,000) for the Group's leasehold land and buildings has been credited to the consolidated income statement during the year. The revaluation surplus of HK$2,076,000 (2008: HK$5,265,000) for the Group's leasehold land and buildings has been transferred to the revaluation reserve (note 32), net of deferred tax (note 27(b)).

The carrying amount of the leasehold land and buildings of the Group at 31 March 2009 would have been HK$25,029,000 (2008: HK$19,677,000) had they been carried at cost less accumulated depreciation.

Notes to the Financial Statements

For the year ended 31 March 2009

15. Property, plant and equipment (Continued)

b) The analysis of carrying amount of leasehold land and buildings

	2009 HK$'000	2008 HK$'000
In Hong Kong		
– medium-term leases	**16,200**	17,000
In the PRC		
– long-term leases	**7,580**	7,950
– medium-term leases	**16,360**	8,600
	40,140	33,550

c) Property, plant and equipment

In addition to the leasehold land and buildings classified as being held under a finance lease in note (b) above, the Group leases certain fixed assets under finance leases expiring from one to three 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.

During the year, additions to property, plant and equipment of the Group financed by new finance leases were HK$Nil (2008: HK$1,180,000). At the balance sheet date, the carrying amount of property, plant and equipment held under finance leases of the Group was HK$620,000 (2008: HK$974,000).

The obligations under finance leases is disclosed in note 26.

16. Investment properties

	The Group	
	2009 HK$'000	2008 HK$'000
At beginning of the year	**6,760**	22,600
Disposals	**–**	(16,800)
(Loss)/gain on fair value adjustment	**(870)**	960
At end of the year	**5,890**	6,760

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For the year ended 31 March 2009

16. Investment properties (Continued)

a) The Group's investment properties were revalued as at 31 March 2009 either on an open market value basis calculated by reference to (i) comparable market transactions in the relevant markets or (ii) net rental income allowing for reversionary income potential. The valuations were carried out by an independent firm of surveyors, Jones Lang LaSalle Sallmanns Limited, who has among their staff members of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. The valuation loss of HK$870,000 (2008: gain of HK$960,000) for the Group's investment properties has been charged/credited to the consolidated income statement.

b) An analysis of the carrying amount of the investment properties is as follows

	2009	2008
	HK$'000	HK$'000
In the PRC		
– long-term leases	**3,230**	2,770
– medium-term leases	**2,660**	3,990
	5,890	6,760

c) Investment properties leased out under operating leases

The Group leases out investment properties under operating leases. The leases typically run for an initial period of one to three 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 HK$5,890,000 (2008: HK$6,760,000).

All the Group's property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

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

	2009	2008
	HK$'000	HK$'000
Within 1 year	**324**	230
After 1 year but within 5 years	**–**	221
	324	451

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For the year ended 31 March 2009

17. Goodwill

	The Group	
	2009	2008
	HK$'000	HK$'000
Cost		
At beginning of the year	**–**	–
Arising on acquisition of minority interest of a subsidiary during the year	**332**	–
At end of the year	**332**	–
Accumulated impairment losses		
At beginning of the year	**–**	–
Impairment loss	**332**	–
At end of the year	**332**	–
Carrying amount		
At end of the year	**–**	–

On 22 April 2008, the Group acquired the remaining 25% equity interest from a minority shareholder for a consideration of HK$900,000. Goodwill was arising from the management's expectation of future profits of the subsidiary.

Goodwill is allocated to the Group's cash-generating unit ("CGU") identified according to sales and distribution segment.

Impairment tests for cash-generating units containing goodwill

The recoverable amount of CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five year period. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates. Discount rate of 15% has been used for the value-in-use calculations.

Management determined the budgeted operating profit margin based on past performance and its expectation for market development. The discount rates used is pre-tax and reflect specific risks relating to the relevant segment.

Based on the impairment test performed, the recoverable amount of the CGU is minimal. In addition, due to the changing market condition, the difficulty of the business environment and the foreseeable loss in the foreseeable future, the directors considered full impairment loss shall be recognised for the year.

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For the year ended 31 March 2009

18. Interest in subsidiaries

	The Company	
	2009	2008
	HK$'000	HK$'000
Unlisted shares, at cost	**59,263**	59,263
Amounts due from subsidiaries	**31,207**	24,892
	90,470	84,155

Notes:

a) Amounts due from subsidiaries are unsecured, interest-free and are not expected to be recovered within one year.

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

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	HK$10,110 (divided into 10 ordinary shares and 10,100 non-voting deferred shares of HK$1 each *(Note (i))*	–	100%	Trading of vehicles, machinery and parts and provision of engineering services
Yardway Motors Limited	Hong Kong	HK$10,000	–	100%	Trading of motor vehicles and spare parts and provision of services
Yardway Logistics Equipment (Zhuhai) Company Limited ("Yardway Zhuhai") 啟帆物流設備(珠海)有限公司	PRC *(Note (ii))*	HK$10,000,000	–	100%	Trading of transportation and logistics related equipment

Notes to the Financial Statements

For the year ended 31 March 2009

18. Interest 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 Enterprise Limited	Hong Kong	HK$2,000,000	–	100%	Design and installation of product line and the provision of related after sale services
Yardway Advance Power Equipment (Beijing) Co Ltd ("Yardway Beijing") 啟帆未來動力設備(北京)有限公司	PRC *(Note (ii))*	RMB3,000,000	–	100%	Trading of spare parts and provision of services
Joy Win Ltd	BVI	US$100	–	100%	Investment holding
Sinotruck Limited	Hong Kong	HK$2	–	100%	Trading of vehicles and spare parts
Yardway Dredging Equipment Limited (formerly known as "Vosta LMG Yardway (HK) Limited")	Hong Kong	HK$10,000	–	100%	Trading and manufacturing of dredging equipment, components and provision for services in Hong Kong
Golden Leo Development Limited	Hong Kong	HK$1	100%	–	Trading of securities
Rich Channel International Limited	Hong Kong	HK$1	100%	–	Inactive
Winsum Investment Limited	British Virgin Islands ("BVI")/Hong Kong	HK$1	100%	–	Inactive
Well Nation Holdings Limited	British Virgin Islands ("BVI")/Hong Kong	US$1	100%	–	Inactive

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For the year ended 31 March 2009

18. Interest in subsidiaries (Continued)

Notes:

i) In accordance with the Articles of Association of Yardway Limited, holders of non-voting deferred shares are entitled to share profit of the Yardway Limited when the profit exceeds HK$1,000,000 million in any financial year. On a return of assets on winding up or otherwise the assets of the Yardway Limited to be returned shall be distributed as regards the first HK$5,000,000,000 thereof among the holders of ordinary shares and one half of the balance of such assets shall belong to and be distributed among the holders of the non-voting deferred shares and the other half thereof to and among the holders of the ordinary shares.

ii) Yardway Zhuhai and Yardway Beijing are wholly-foreign-owned enterprises.

19. Trading securities

	The Group	
	2009	2008
	HK$'000	HK$'000
Listed equity securities in Hong Kong, at fair value	**26,385**	41

The fair value of listed equity securities is based on their quoted prices at the balance sheet date.

20. Inventories

	The Group	
	2009	2008
	HK$'000	HK$'000
Work-in-progress	**718**	32
Finished goods	**21,596**	24,869
Goods-in-transit	**–**	3,220
	22,314	28,121

The analysis of the amount of inventories recognised as an expense is as follows:

	The Group	
	2009	2008
	HK$'000	HK$'000
Carrying amount of inventories sold	**132,818**	229,476
Write-down of inventories	**2,211**	3,726
	135,029	233,202

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For the year ended 31 March 2009

21. Trade and other receivables

		The Group		The company	
		2009	2008	**2009**	2008
	NOTE	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Trade receivables	*(a)*	**50,474**	90,928	**–**	–
Retention receivables	*(b)*	**12,319**	16,103	**–**	–
Other receivables		**1,510**	1,144	**–**	–
Deferred consideration *(note 35)*		**–**	786	**–**	–
Loans and receivables		**64,303**	108,961	**–**	–
Derivative financial instruments:					
– foreign currency forward contracts	*22*	**40**	54	**–**	–
Prepayments and deposits		**15,644**	18,270	**259**	235
		79,987	127,285	**259**	235

All of the trade and other receivables apart form certain retention receivables are expected to be recovered within one year.

a) Trade receivables

i) Ageing analysis

Trade receivables are net of allowance for bad and doubtful debts of HK$3,074,000 (2008: HK$1,139,000) with the following ageing analysis as of the balance sheet date:

	The Group	
	2009	2008
	HK$'000	HK$'000
Current	**23,046**	70,893
1 to 3 months past due	**11,325**	9,755
More than 3 months but less than 12 months past due	**11,430**	9,521
More than 12 months past due	**4,673**	759
	50,474	90,928

Trade receivables are due in accordance with contract terms or within 2 months from the date of billing. Further detail of the Group's credit policy is set out in note 33(a).

Notes to the Financial Statements

For the year ended 31 March 2009

21. Trade and other receivables (Continued)

a) Trade receivables (Continued)

ii) Impairment of trade receivables

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that the recovery of the amount is remote, in which case the debts are directly impaired as an impairment loss (see note 2(k)).

Movements in the allowance for doubtful debts

	The Group	
	2009	2008
	HK$'000	HK$'000
At beginning of the year	**1,139**	506
Impairment loss recognised *(Note)*	**1,935**	633
At end of the year	**3,074**	1,139

Note:

As at 31 March 2009, trade receivables of the Group amounting to HK$3,074,000 (2008: HK$1,139,000) were individually determined to be impaired and full provision had been made. These individually impaired receivables were outstanding for over one year as at the balance sheet date or were due from companies with financial difficulties. The Group does not hold any collateral over these balances.

iii) Trade receivables that are not impaired

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

	The Group	
	2009	2008
	HK$'000	HK$'000
Neither past due nor impaired	**23,046**	70,893
1 to 3 months past due	**11,325**	9,755
3 to 12 months past due	**11,430**	9,521
More than 1 year past due	**4,673**	759
	50,474	90,928

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no resent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

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For the year ended 31 March 2009

21. Trade and other receivables (Continued)

b) Retention receivables

Retention receivables are amounts which are not paid until the satisfaction of conditions specified in the contract for the payment of such amounts. The amount of retentions expected to be recovered after more than one year is HK$7,810,000 (2008: HK$3,931,000).

22. Derivative financial instruments

Foreign currency forward contracts (not under hedge accounting)

Major terms of the foreign currency forward contracts are as follows:

Notional amount	**Currency conversion**
3 contracts to buy 491,000	GBP1: HK$10.840 to HK$11.332
1 contract to buy EURO32,000	EURO1: HK$9.89

The above contracts will mature within one to three months from the balance sheet date.

Derivative financial instruments that are denominated in currencies other than the functional currencies of the relevant group entities are set out below.

	The Group	
	2009	2008
	HK$'000	HK$'000
Derivative financial assets		
GBP	**28**	54
EURO	**12**	–
	40	54
Derivative financial liabilities		
GBP	**64**	87

The foreign currency forward contracts are measured at fair value at each balance sheet date. Its fair values are determined based on market prices quoted by banks at the balance sheet date. At 31 March 2009, the foreign currency exchange contracts are mainly used for managing currency exposure of bills payable denominated in EURO and GBP.

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For the year ended 31 March 2009

23. Pledged bank deposits and cash and cash equivalents

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Pledged bank deposits	**11,717**	8,348	**–**	–
Non-pledged bank deposits	**–**	33,585	**–**	–
Cash and bank balances	**119,230**	29,146	**91,302**	23,788
	130,947	71,079	**91,302**	23,788
Less: Pledged bank deposits	**(11,717)**	(8,348)	**–**	–
Cash and cash equivalents in the balance sheet	**119,230**	62,731	**91,302**	23,788
Bank overdrafts *(note 25)*	**(161)**	(2,851)		
Cash and cash equivalents in the consolidated cash flow statement	**119,069**	59,880		

At 31 March 2009, the bank deposits and cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$18,827,000 (2008: HK$1,922,000). The RMB is not freely convertible into other currencies. However, under mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

The pledged bank deposits of HK$1,493,000 (2008: HK$1,804,000) carry interest at market rate of 0.36% (2008: 2.888% to 3.33%) per annum. The remaining pledged and non-pledged bank deposits of HK$10,224,000 (2008: HK$40,129,000) carry fixed interest rates which range from 0.78% to 3.6% (2008: 0.0001% to 3.15%) per annum. Bank balances carry interest at market rates which range from 0.0001% to 0.05% (2008: 0.0001% to 0.3%) per annum. The bank balances and bank deposits are deposited with creditworthy banks with no recent history of default.

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24. Trade and other payables

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade and bills payables	**78,783**	105,809	**–**	–
Other payables and accruals	**11,558**	8,980	**816**	1,209
Financial liabilities measured at amortised cost	**90,341**	114,789	**816**	1,209
Derivative financial instruments:				
– foreign currency forward contracts *(note 22)*	**64**	87	**–**	–
Sales deposits received	**26,982**	26,618	**–**	–
	117,387	141,494	**816**	1,209

All trade and other payables apart from certain retention payables are expected to be settled within one year.

Retention payables are amounts which are not paid until the satisfaction of conditions specified in the contract for the payment of such amounts. The amount of retentions expected to be settled after more than one year is HK$669,000 (2008: HK$4,623,000).

The following is an age analysis of the trade and bills payables as at the balance sheet date.

	The Group	
	2009	2008
	HK$'000	HK$'000
Due within 1 month or on demand	**35,705**	48,041
Due after 1 month but within 3 months	**5,093**	8,285
Due after 3 months but within 6 months	**9,192**	7,121
Due after 6 months but within 1 year	**7,541**	18,313
	57,531	81,760
Bills payable	**17,380**	19,426
Retention payables	**3,872**	4,623
	78,783	105,809

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For the year ended 31 March 2009

25. Bank loans and overdrafts

	The Group	
	2009	2008
	HK$'000	HK$'000
Bank loans		
– secured	**4,209**	8,523
– unsecured	**1,744**	6,919
	5,953	15,442
Bank overdrafts *(note 23)*		
– secured	**161**	550
– unsecured	**–**	2,301
	161	2,851
	6,114	18,293

At 31 March 2009, the bank loans and overdrafts were repayable as follows:

Within 1 year on demand	**2,231**	12,965
After 1 year but within 2 years	**333**	1,423
After 2 years but within 5 years	**1,052**	1,002
After 5 years	**2,498**	2,903
	3,883	5,328
	6,114	18,293

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25. Bank loans and overdrafts (Continued)

All of the non-current interest-bearing borrowings are carried at amortised cost. None of the non-current interest-bearing borrowings is expected to be settled with one year.

The range of effective interest rates (which are also equal to contracted interest rates) on the Group's bank borrowings are ranged from 2.28% to 6.25% (2008: 3.25% to 8.31%) per annum.

As at 31 March 2009, the secured bank loans and overdrafts were secured by (i) mortgages over the Group's leasehold land and buildings with an aggregate carrying amount of HK$16,200,000 (2008: 17,000,000); (ii) pledge over bank deposits of HK$11,717,000 (2008: HK$8,348,000) and (iii) corporate guarantees given by the Company. Such banking facilities amounted to HK$111,165,000 (2008: HK$141,396,000). The facilities were utilised to the extent of HK$4,370,000 as at 31 March 2009 (2008: HK$13,223,000).

26. Obligations under finance leases

At 31 March 2009, the Group had obligations under finance leases repayable as follows:

	The Group					
	2009			2008		
	Present value of the minimum lease payments HK$'000	**Interest expense relating to future periods HK$'000**	**Total minimum lease payments HK$'000**	Present value of the minimum lease payments HK$'000	Interest expense relating to future periods HK$'000	Total minimum lease payments HK$'000
Within 1 year	**396**	**53**	**449**	396	53	449
After 1 year but within 2 years	**66**	**9**	**75**	396	53	449
After 2 years but within 5 years	**–**	**–**	**–**	66	9	75
	66	**9**	**75**	462	62	524
	462	**62**	**524**	858	115	973

Notes to the Financial Statements

For the year ended 31 March 2009

27. Income tax in the balance sheet

a) Current taxation in the balance sheet represents:

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Provision for Hong Kong profits tax for the year	**145**	22	**–**	–
Balance of tax recoverable relating to prior years	**(105)**	(1,926)	**–**	–
	40	(1,904)	**–**	–
PRC enterprise income tax	**111**	983	**–**	–
	151	(921)	**–**	–
Representing:				
Tax recoverable	**(105)**	(1,926)	**–**	–
Tax payable	**256**	1,005	**–**	–

Notes to the Financial Statements

For the year ended 31 March 2009

27. 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 were as follows:

	Revaluation of investment properties HK$'000	Depreciation allowances in excess of related depreciation HK$'000	Revaluation of other properties HK$'000	Tax losses HK$'000	Other HK$'000	Total HK$'000
Deferred tax arising from:						
At 1 April 2007	928	527	855	(2,020)	(56)	234
Exchange difference	–	–	47	–	–	47
Charged/(credited) to profit or loss	(896)	342	–	586	–	32
Charged to reserve	–	–	299	–	–	299
At 31 March 2008	32	869	1,201	(1,434)	(56)	612
At 1 April 2008	32	869	1,201	(1,434)	(56)	612
Exchange difference	–	–	7	(3)	(1)	3
Effect of change in tax rate						
– charged/(credited) to profit or loss	–	(9)	–	13	–	4
– credited to reserve	–	–	(8)	–	–	(8)
Charged/(credited) to profit or loss	(32)	(747)	–	758	–	(21)
Charged to reserve	–	–	1,618	–	–	1,618
At 31 March 2009	–	113	2,818	(666)	(57)	2,208

	The Group 2009 HK$'000	The Group 2008 HK$'000
Net deferred tax assets recognised on the balance sheet	**(242)**	(237)
Net deferred tax liabilities recognised on the balance sheet	**2,450**	849
	2,208	612

Notes to the Financial Statements

For the year ended 31 March 2009

27. Income tax in the balance sheet (Continued)

c) Deferred tax assets not recognised:

The Group has tax losses of HK$39,646,000 (2008: HK$16,303,000) that are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised as it is not probable that future taxable profits against which the losses can be utilised will be available for the companies in which losses arose. The tax losses do not expire under the current tax legislation.

28. Provision for warranty

	The Group	
	2009	2008
	HK$'000	HK$'000
At beginning of the year	**–**	117
Additional provision made	**–**	6
Disposal of subsidiaries *(note 34)*	**–**	(123)
At end of the year	**–**	–

Under the terms of the Group's sales agreements, the Group will rectify any product defects arising within one year of the delivery of yachts to customers. Provision is therefore made for the best estimate of the expected settlement under these agreements in respect of sales made within the one year prior to the balance sheet date. The amount of provision takes into account the Group's recent claim experience and is only made where a warranty claim is probable.

29. Financial guarantee liability

	The Company	
	2009	2008
	HK$'000	HK$'000
Financial guarantee contracts		
Carrying amount		
At beginning of the year	**–**	–
Fair value of financial guarantee contracts issued	**1,538**	–
Amortisation for the year	**(278)**	–
At end of the year	**1,260**	–

Based on the valuations perferred by an independent firm of valuer, the directors considered that the fair value of the financial guarantee contracts was approximately HK$1,538,000 at the date of issuance of the financial guarantee contracts.

Notes to the Financial Statements

For the year ended 31 March 2009

29. Financial guarantee liability (Continued)

As at 31 March 2009, the Company has undertaken to guarantee certain banking facilities to the extent of HK$105,320,000 (2008: HK$211,315,000) granted to certain subsidiaries of which HK$31,903,000 (2008: HK$53,865,000) have been utilised at the balance sheet dates. The maximum guarantee amount borne by the Company was HK$105,320,000 (2008: HK$211,315,000).

As at 31 March 2008, the directors do not consider it probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at the balance sheet date under the guarantees issued is the facilities drawn down by the subsidiaries totalling HK$53,865,000.

30. Equity settled share-based transactions

The Company had a share option scheme which was adopted on 28 March 2002, whereby the directors of the Company are authorised, at their discretion, to invite eligible participants to take up options at a nominal consideration to subscribe for shares of the Company. The purpose of the share option scheme is to enable the Group to grant options to the eligible participants including employees, executive and non-executive directors, suppliers and customers and shareholders of any members of the Group and any persons or entities that provided research, development or other technical support to the Group or any other group or classes of participants determined by the directors as incentive or rewards for their contribution to the Group. The total number of shares which may be issued upon exercise of all options to be granted under the scheme shall not in aggregate exceed 30% to the total number of shares of the Company from time to time.

The exercise price of options is the highest of the nominal value of the shares, the closing price of the shares on the Stock Exchange on the date of offer and the average closing price of the shares on the Stock Exchange for the five business days immediately preceding the date of offer. The options vest in four equal instalments with the first instalment vesting from the date of grant. The second, third and fourth instalments vest from one, two and three years after the date of grant respectively. The options are exercisable after the vesting date but within a period of five years from the date of grant. Each option gives the holder the right to subscribe for one ordinary share in the Company. On 20 September 2007, share offer was made to all the holders of the shares, 10,424,000 shares under the share offer were accepted by the offeror parties. Taking into account the 10,424,000 shares accepted under the share offer and the 133,732,000 shares already held by the offeror parties, the offer parties in aggregate held 144,156,000 shares, represent 51.5% of the issued share capital of the Company. Accordingly, the condition of the offers has been fulfilled and the offers have become unconditional. The share offer was closed on 25 October 2007.

According to the share option scheme adopted on 28 March 2002, as the share offer made on 20 September 2007 to all the holders of the shares became unconditional, the option holders were, notwithstanding any other terms on which his options were granted, be entitled to exercise the option (to the extent not already exercised) to its full extent at any time thereafter and up to the close of the offer, on 25 October 2007.

Notes to the Financial Statements

For the year ended 31 March 2009

30. Equity settled share-based transactions (Continued)

a) No options existed during the year ended 31 March 2009. The terms and conditions of the grants that existed during the year ended 31 March 2008 are as follows, whereby all options are settled by physical delivery of shares:

	Number of share issuable under options granted	Vesting conditions	Contractual life of options from date of grant
Options granted to directors:			
– on 13 November 2006	1,650,000	At the date of grant	5 years
	2,150,000	One year from the date of grant	5 years
	2,150,000	Two years from the date of grant	5 years
	2,150,000	Three years from the date of grant	5 years
	8,100,000	*(note i)*	
Options granted to employees:			
– on 13 November 2006	400,000	At the date of grant	5 years
	750,000	One year from the date of grant	5 years
	750,000	Two years from the date of grant	5 years
	750,000	Three years from the date of grant	5 years
	2,650,000	*(note ii)*	
	10,750,000		

(i) *Included 4,500,000 options granted to ex-directors who resigned on 11 October 2007 and 2,600,000 options granted to an ex-director who retired and currently employed as an employee from 11 October 2007. The options granted were still exercisable after change of capacity.*

(ii) *Included 1,000,000 options granted to employee who was appointed as a director on 21 September 2007 and resigned on 21 April 2009. The options granted were still exercisable after change of capacity.*

Notes to the Financial Statements

For the year ended 31 March 2009

30. Equity settled share-based transactions (Continued)

b) The number and weighted average exercise prices of share options are as follows:

	2009		2008	
	Weighted average exercise price HK$	**Number of shares issuable under options**	Weighted average exercise price HK$	Number of shares issuable under options
Outstanding at beginning of the year	–	–	0.21	10,750,000
Granted during the year	–	–	–	–
Exercised during the year	–	–	0.21	(7,398,000)
Forfeited during the year	–	–	0.21	(3,352,000)
Outstanding at end of the year		–		–
Exercisable at the end of year		–		–

The weighted average share price at the date of exercise for share options exercised during the year ended 31 March 2008 was HK$1.37.

The options outstanding at 31 March 2007 had an exercise price of HK$ 0.21 and a weighted average remaining contractual life of 4.6 year. 7,398,000 options were exercised during the year ended 31 March 2008 of which 4,000,000 options were early exercised before vesting date under the condition of share option scheme in respect of the unconditional share offer. The remaining 3,352,000 options were forfeited upon the close of unconditional share offer on 25 October 2007.

Notes to the Financial Statements

For the year ended 31 March 2009

31. Share capital

a) Authorised and issued share capital

	Number of ordinary shares of HK$0.l per share '000	Number of ordinary shares of HK$0.05 per share '000	HK$'000
Authorised			
At 1 April 2007 and 31 March 2008	2,000,000	–	200,000
At 1 April 2008	2,000,000	–	200,000
Share sub-division *(note ii)*	(2,000,000)	4,000,000	–
At 31 March 2009	–	4,000,000	200,000
Issued and fully paid:			
At 1 April 2007	280,850	–	28,085
Shares issued under share option scheme *(note 30(b))*	7,398	–	740
At 31 March 2008 and 1 April 2008	288,248	–	28,825
Issue of new shares *(note (i))*	270,000	–	27,000
Effect of share sub-division *(note (ii))*	(558,248)	1,116,496	–
At 31 March 2009	–	1,116,496	55,825

Notes:

(i) On 28 August 2008, the Company entered into a subscription agreement with 5 subscribers (3 of them are existing directors and one of them is ex-director who resigned on 21 April 2009) pursuant to which the subscribers agreed to subscribe for and the Company agreed to issue and allot 270,000,000 shares at the subscription price of HK$0.3 per share. The net proceeds of HK$81 million from the issue of new shares would be used for business expansion and general working capital of the Group. The shares were allotted to the five subscribers on 5 November 2008 to 7 November 2008.

(ii) Pursuant to the approval in the extraordinary general meeting held on 13 February 2009, the issued and unissued shares of HK$0.10 each be subdivided into two subdivided shares of HK$0.05 each. Upon the subdivision becoming effective, the authorised share capital of the Company of HK$200,000,000 was divided into 4,000,000,000 subdivided shares, of which, 1,116,496,000 subdivided shares were issued and fully paid.

b) Shares issued under share option scheme

On 13 April 2007, 12 October 2007, 15 October 2007 and 22 October 2006, options were exercised by holders to subscribe for 1,136,000, 3,760,000, 1,502,000 and 1,000,000 ordinary shares in the Company respectively for a total consideration of HK$1,554,000 of which HK$740,000 was credited to share capital and the balance of HK$814,000 was credited to the share premium account. HK$444,000 has been transferred from the capital reserve to the share premium account in accordance with policy set out in note 2(r).

Notes to the Financial Statements

For the year ended 31 March 2009

32. Reserves

a) The Group

		Attributable to equity shareholders of the Company									
	Note	Share premium HK$'000	Capital reserve HK$'000	Contributed surplus HK$'000	Exchange reserve HK$'000	Revaluation reserve-land and buildings HK$'000	Other reserves HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 April 2007		3,873	(4,389)	(180)	789	7,366	320	69,828	77,607	899	78,506
Shares issued under share option scheme	*30(b)*	1,258	(444)	–	–	–	–	–	814	–	814
Exchange differences on translation of the financial statements of PRC subsidiaries		–	–	–	1,244	–	–	–	1,244	–	1,244
Revaluation surplus, net of deferred tax		–	–	–	–	4,966	–	–	4,966	–	4,966
Equity-settled share-based transactions		–	543	–	–	–	–	–	543	–	543
Transfer to other reserves		–	–	–	–	–	1,624	(1,624)	–	–	–
Share option forfeited		–	(375)	–	–	–	–	375	–	–	–
Disposal of subsidiaries		–	4,665	–	–	–	–	(4,665)	–	–	–
Profit for the year		–	–	–	–	–	–	7,104	7,104	(314)	6,790
At 31 March 2008		5,131	–	(180)	2,033	12,332	1,944	71,018	92,278	585	92,863
At 1 April 2008		5,131	–	(180)	2,033	12,332	1,944	71,018	92,278	585	92,863
Issue of shares	*31(a)(i)*	54,000	–	–	–	–	–	–	54,000	–	54,000
Shares issue expenses		(298)	–	–	–	-	–	–	(298)	–	(298)
Acquisition of minority interests		–	–	–	–	–	–	–	–	(568)	(568)
Exchange differences on translation of the financial statements of PRC subsidiaries		–	–	–	448	–	–	–	448	–	448
Revaluation surplus, net of deferred tax		–	–	–	–	466	–	–	466	–	466
Disposal of leasehold land and buildings		–	–	–	–	(1,627)	–	1,627	–	–	–
Transfer to other reserves		–	–	–	–	–	350	(350)	–	–	–
Loss for the year		–	–	–	–	–	–	(14,810)	(14,810)	(17)	(14,827)
At 31 March 2009		58,833	–	(180)	2,481	11,171	2,294	57,485	132,084	–	132,084

Notes to the Financial Statements

For the year ended 31 March 2009

32. Reserves (Continued)

b) The Company

	Note	Share premium HK$'000	Capital reserve HK$'000	Contributed surplus HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 April 2007		3,873	276	59,063	456	63,668
Shares issued under share option scheme	*30(b)*	1,258	(444)	–	–	814
Equity-settled share-based transactions		–	543	–	–	543
Share option lapsed		–	(375)	–	375	–
Profit for the year		–	–	–	13,223	13,223
At 31 March 2008		5,131	–	59,063	14,054	78,248
At 1 April 2008		5,131	–	59,063	14,054	78,248
Issue of shares	*31(a)(i)*	54,000	–	–	–	54,000
Share issue expenses		(298)	–	–	–	(298)
Loss for the year		–	–	–	(7,739)	(7,739)
At 31 March 2009		58,833	–	59,063	6,315	124,211

Nature and purpose of reserves

i) ***Share premium and contributed surplus***

Under the Companies Law (Revised) of the Cayman Islands, 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 a 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.

The contributed surplus of the Company arose from the difference between the consolidated net assets of the Group's subsidiaries acquired and the nominal value of the Company's ordinary shares issued pursuant to the Group reorganisation in 2002.

Notes to the Financial Statements

For the year ended 31 March 2009

32. Reserves (Continued)

Nature and purpose of reserves (Continued)

ii) Capital reserve

The capital reserve comprises the following:

– the positive goodwill which arose from the acquisition of business on 18 March 2000 and had previously been taken directly to reserve; and

– the fair value of the actual or estimated number of unexercised share options granted to directors and employees of the Company recognised in accordance with the accounting policy adopted for share based payments in note 2(r).

iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 2(v).

iv) Revaluation reserve

The revaluation reserves have been set up and are dealt with in accordance with the accounting policies adopted for leasehold land and buildings in note 2(i). The revaluation reserve is not distributable to shareholders.

v) Other reserves

Subsidiaries and jointly controlled entities of the Group in the PRC, which are wholly-foreign-owned enterprises, follow the accounting principles and relevant financial regulations of the PRC applicable to wholly-foreign-owned enterprises ("PRC GAAP-WFOE"), in the preparation of their accounting records and financial statements. Pursuant to the accounting regulations for business enterprises, the subsidiaries and jointly controlled entities are required to appropriate 10% of the profit arrived at in accordance with PRC GAAP-WFOE for each year to a statutory reserve. The profits arrived at must be used initially to set off against any accumulated losses. The appropriations to statutory reserve, after offsetting against any accumulated losses, must be made before the distribution of dividends to shareholders. The appropriation is required until the statutory reserve reaches 50% of the registered capital. This statutory reserve is not distributable in the form of cash dividends, but may be used to set off losses or be converted into paid-in capital.

vi) Distributability of reserves

At 31 March 2009, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK$124,211,000 (2008: HK$78,248,000).

Notes to the Financial Statements

For the year ended 31 March 2009

32. Reserves (Continued)

Nature and purpose of reserves (Continued)

vii) Capital risk management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concerns so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher level of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a net debt-to-adjusted capital ratio. For this purpose the Group defines net debt as total debt (which includes bank borrowings and other financial liabilities) less bank deposits and cash. Adjusted capital comprises all components of equity less unaccrued proposed dividends.

During the year ended 31 March 2009, the Group's strategy, which was unchanged from 2008, was to maintain the net debt-to-adjusted capital ratio as low as feasible. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. As at 31 March 2009 and 2008, the Group had a net cash position.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

33. Financial risk management

The Group has exposure to credit risk, liquidity risk, currency risk, interest rate risk and equity price risk from its use of financial instruments. This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk.

a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and the Group's credit risk is primarily attributable to the trade and other receivables and deposits with financial institutions. Management has a credit policy in a place and the exposures to these credit risks are monitored on an ongoing basis.

i) Trade and other receivables

The management has established a credit policy under which credit evaluations are performed on all customers requiring credit. Trade receivables are due depend on contract terms or within 2 months from the date of billing. Debtors with balances that are more than 3 months are requested to settle all outstanding balance before any further credit is granted. Normally, the Group does not obtain collateral from customers.

Notes to the Financial Statements

For the year ended 31 March 2009

33. Financial risk management (Continued)

a) Credit risk (Continued)

i) Trade and other receivables (Continued)

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. At the balance sheet date, the Group has a certain concentration of credit risk as 28% (2008: 26%) and 80% (2008: 53%) of the total trade related receivables was due from the Group's largest customer and the five largest customers respectively.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset, in the consolidated balance sheet after deducting any impairment allowance. Except for financial guarantees given by the Company as set out in note 29, the Group does not provide any other guarantees which would expose the Group or the Company to credit risk. The maximum exposure to credit risk in respect of the financial guarantees at the Company's balance sheet is disclosed in note 29.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 21.

ii) Deposits with financial institutions

The Group limits its exposure to credit risk by placing deposits with financial institutions that meet the established credit rating or other criteria. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

As at 31 March 2009, the Group has certain concentration of credit risk as 10% (2008: 5%) of total cash and cash equivalents, bank deposits with original maturities over three months and financial assets designated at fair value were deposited at one financial institution in mainland China with high credit ratings.

b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's policy is to regularly monitor its current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The Group relies on bank borrowings as a siguificant source of liquidity. At 31 March 2009, the Group has available un-utilized banking facilities of approximately HK$73,417,000 (2008: HK$157,450,000), details of which are disclosed in note 37.

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities and derivative financial liabilities, which are based on the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

Notes to the Financial Statements

For the year ended 31 March 2009

33. Financial risk management (Continued)

b) Liquidity risk (Continued)

The Group

	2009					
	Within 1 year or on demand HK$'000	**More than 1 year but less than 2 years HK$'000**	**More than 2 years but less than 5 years HK$'000**	**After 5 years HK$'000**	**Total contractual undiscounted cash flow HK$'000**	**Carrying amount HK$'000**
Trade and other payables	**117,387**	**–**	**–**	**–**	**117,387**	**117,387**
Bank borrowings	**2,325**	**427**	**1,280**	**2,703**	**6,735**	**6,114**
Obligations under finance leases	**449**	**75**	**–**	**–**	**524**	**462**
	120,161	**502**	**1,280**	**2,703**	**124,646**	**123,963**

	2008					
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	After 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
Trade and other payables	141,494	–	–	–	141,494	141,494
Bank borrowings	11,532	2,205	2,595	3,267	19,599	18,293
Obligations under finance leases	449	449	75	–	973	858
	153,475	2,654	2,670	3,267	162,066	160,645

The Company

	2009					
	Within 1 year or on demand HK$'000	**More than 1 year but less than 2 years HK$'000**	**More than 2 years but less than 5 years HK$'000**	**After 5 years HK$'000**	**Total contractual undiscounted cash flow HK$'000**	**Carrying amount HK$'000**
Trade and other payables	**816**	**–**	**–**	**–**	**816**	**816**

As at 31 March 2009, it was not probable that the counter parties to the financial guarantees will claim under the contracts. Consequently, the carrying amount of the financial guarantee contracts of HK$1,260,000 (2008: Nil) has not been presented above.

Notes to the Financial Statements

For the year ended 31 March 2009

33. Financial risk management (Continued)

b) Liquidity risk (Continued)

The Company (Continued)

	2008					
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	After 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
Trade and other payables	1,209	–	–	–	1,209	1,209

c) Currency risk

The Group is exposed to currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States dollars, Euro and Sterling.

The Group ensures that the exposure on recognised assets and liabilities arising from sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate is kept to an acceptable level, by buying or selling foreign currency at spot rate where necessary to address short-term imbalances.

The following table details the Group's and the Company's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they related.

The Group

	2009			2008		
	USD'000	**EUR'000**	**GBP'000**	USD'000	EUR'000	GBP'000
Trade and other receivables	**2,154**	**1,144**	**8**	2,773	1,311	1,048
Cash and cash equivalents	**1,092**	**105**	**6**	1,237	135	59
Trade and other payable	**(6,058)**	**(852)**	**(382)**	(6,904)	(1,889)	(1,865)
Bank borrowings	**(79)**	**–**	**–**	(540)	(118)	–
Overall net exposure	**(2,891)**	**397**	**(368)**	(3,434)	(561)	(758)

Notes to the Financial Statements

For the year ended 31 March 2009

33. Financial risk management (Continued)

c) Currency risk (Continued)

The Company

	2009			2008		
	USD'000	**EUR'000**	**GBP'000**	USD'000	EUR'000	GBP'000
Cash and cash equivalents	**65**	**–**	**–**	1	–	–
Overall net exposure	**65**	**–**	**–**	1	–	–

An analysis of the estimated change in the Group's (loss)/profit after tax (and retained earnings) in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date is presented in the following table.

The Group

	2009		2008	
	Increase/ (decrease) in foreign exchange rates	**Effect on loss after tax and retained earnings HK$'000**	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained earnings HK$'000
United States dollars, USD	**10%**	**(1,870)**	10%	(2,672)
	(10%)	**1,870**	(10%)	2,672
Euro	**10%**	**339**	10%	(689)
	(10%)	**(339)**	(10%)	689
GBP	**10%**	**(339)**	10%	(1,171)
	(10%)	**339**	(10%)	1,171

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to each of the Group entities' exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date while all other variables remains constant. The stated changes also represent management's assessment of a reasonably possible change in foreign exchange rates until the next annual balance sheet date. The analysis is performed on the same basis for 2008.

Notes to the Financial Statements

For the year ended 31 March 2009

33. Financial risk management (Continued)

d) Interest rate risk

The Group's interest rate risk arises primarily from the Group's bank deposits and interest-bearing borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group does not use financial derivatives to hedge against the interest rate risk. The Group's interest rate profile as monitored by management is set out below.

Effective interest rates and repricing analysis

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice or the maturity dates, if earlier.

The Group

	2009						2008					
	Effective interest rate	Total HK$'000	1 year or less HK$'000	1-2 years HK$'000	2-5 years HK$'000	More than 5 years HK$'000	Effective interest rate	Total HK$'000	1 year or less HK$'000	1-2 years HK$'000	2-5 years HK$'000	More than 5 years HK$'000
Repricing dates for assets/(liabilities) which reprice before maturity												
Cash and bank balances	0.0001% – 0.05%	119,230	119,230	–	–	–	0.0001% – 0.3%	29,049	29,049	–	–	–
Pledged bank deposits	0.36%	1,493	1,493	–	–	–	2.888% – 3.33%	1,804	1,804	–	–	–
Bank overdrafts	5% – 6.25%	(161)	(161)	–	–	–	5.25% – 5.55%	(2,851)	(2,851)	–	–	–
Bank loans	2.284% – 6.25%	(5,953)	(2,070)	(333)	(1,052)	(2,498)	3.25% – 8.311%	(15,442)	(10,114)	(1,423)	(1,002)	(2,903)
		114,609	118,492	(333)	(1,052)	(2,498)		12,560	17,888	(1,423)	(1,002)	(2,903)
Maturity dates for assets/(liabilities) which do not reprice before maturity												
Deposits with banks	–	–	–	–	–	–	0.0001% – 3.15%	33,585	33,585	–	–	–
Pledged bank deposits	0.78% – 3.6%	10,224	10,224	–	–	–	0.0001% – 3.15%	6,544	6,544	–	–	–
Obligations under finance leases	4.5%	(462)	(396)	(66)	–	–	4.5%	(858)	(396)	(396)	(66)	–
		9,762	9,828	(66)	–	–		39,271	39,733	(396)	(66)	–

Notes to the Financial Statements

For the year ended 31 March 2009

33. Financial risk management (Continued)

d) Interest rate risk (Continued)

Effective interest rates and repricing analysis (Continued)

The Company

	2009						2008					
	Effective interest rate	Total HK$'000	1 year or less HK$'000	1-2 years HK$'000	2-5 years HK$'000	More than 5 years HK$'000	Effective interest rate	Total HK$'000	1 year or less HK$'000	1-2 years HK$'000	2-5 years HK$'000	More than 5 years HK$'000
Repricing dates for assets/(liabilities) which reprice before maturity												
Cash and bank balances	0.08%	91,302	91,302	–	–	–	0.0001% – 3.15%	23,788	23,788	–	–	–
		91,302	91,302	–	–	–		23,788	23,788	–	–	–

At 31 March 2009, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's (loss)/profit before tax by approximately HK$1,244,000 (2008: approximately HK$518,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for the non-derivative financial liabilities in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2008.

e) Equity price risk

The Group is exposed to equity price risk arising from trading of listed securities classified as trading securities in the consolidated balance sheet. The sensitivity analysis has been determined based on the exposure to equity price risk.

At the balance sheet date, if the quoted market prices of the trading securities had been 10% higher or lower while all other variables were held constant, the Group's net loss would decrease or increase by approximately HK$2,639,000 (2008: HK$4,000) as a result of changes in fair value of investments. The Group's sensitivity to equity price has changed significantly from the prior year.

Notes to the Financial Statements

For the year ended 31 March 2009

33. Financial risk management (Continued)

e) Equity price risk (Continued)

The sensitivity analysis has been determined assuming that the reasonably possible changes in the stock market index or other relevant risk variables had occurred at the balance sheet date and had been applied to the exposure to equity price in existence at that date. It also assumed that the fair values of the Group's investment would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables, that none of the Group's securities investments would be considered impaired as a result of a reasonably possible decrease in the relevant stock market index or other relevant risk variable, and that all other variables remain constant. The stated changes represent management's assessment of reasonably possible changes in the relevant stock market index or the relevant risk variables over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2008.

f) Fair values

The fair values of cash and cash equivalents, pledged bank deposits, trade and other receivables, trade and other payables are not materially different from the carrying amounts because of the immediate or short term maturity of these financial instruments. The carrying amounts of other financial assets, bank loans and overdrafts and finance lease liabilities approximate their fair values.

g) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments set out in note 33(d) and (e) above.

i) Trading securities

Fair value is based on quoted market prices at the balance sheet date without any deduction for transaction costs.

ii) Interest-bearing loans and borrowings and finance lease liabilities

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

34. Disposal of subsidiaries

In order to simplify the Group, the Group disposed of three subsidiaries and a jointly controlled entity owned by a subsidiary disposed of during the year ended 31 March 2008 as follows:

On 16 November 2007, the Group entered into a sale and purchase agreement with an independent third party to dispose of its 51% interest in Yardway Marine Limited for a consideration of HK$5,100. A gain on disposal of HK$580,000 arose from this transaction.

On 31 January 2008, the Group disposed of the entire interest in Yardway Enterprise Limited ("Yardway Enterprise") together with its 67% direct interest in a subsidiary, INTEQ Asia Limited, and its 50% direct interest in a jointly controlled entity, AST Asia Limited, to an independent third party for a consideration of HK$10,000. The disposal was completed on 31 January 2008. A loss on disposal of HK$286,000 arose from this transaction.

Notes to the Financial Statements

For the year ended 31 March 2009

34. Disposal of subsidiaries (Continued)

Details of the net liabilities disposed of in respect of the disposal of subsidiaries are summarized below:

	2009 **HK$'000**	2008 HK$'000
NET LIABILITIES DISPOSED OF		
Plant and equipment	–	15
Inventories	–	2,345
Trade receivables	–	910
Due from related companies	–	276
Tax recoverable	–	128
Bank balances and cash	–	188
Trade and other payables	–	(1,858)
Bank overdrafts	–	(1,833)
Due to a related company	–	(328)
Provision for warranty *(note 28)*	–	(123)
	–	(280)
Gain on disposal of subsidiaries	–	295
	–	15
Satisfied by cash consideration	–	15
Net cash inflow arising on disposal:		
Cash received	–	15
Bank balances and cash disposed of	–	(188)
Bank overdraft disposed of	–	1,833
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	–	1,660

The subsidiaries disposed of during the year ended 31 March 2008 did not contribute significantly to the Group's results and cash flows for the year ended 31 March 2008.

Notes to the Financial Statements

For the year ended 31 March 2009

35. Disposal of jointly controlled entities

In order to simplify the Group structure, the Group dispoed of three jointly controlled entities during the year ended 31 March 2008.

On 12 August 2007, the Group entered into a sale and purchase agreement with a joint venture partner for the disposal of its 50% equity interest in VLY Holding Co. (HK) Limited ("VLY") together with its 100% direct interest in two subsidiaries, Vosta LMG Yardway (HK) Limited ("Vosta Hong Kong") and Vosta LMG Yardway (Zhuhai) Limited ("Vosta Zhuhai"), for a total consideration of approximately HK$3,876,000. The disposal was completed on 31 October 2007. A gain on disposal of HK$4,658,000 arose from this transaction.

Details of the net liabilities disposed of in respect of the disposal of jointly controlled entities are summarised below:

	2009 **HK$'000**	2008 HK$'000
NET LIABILITIES DISPOSED OF		
Plant and equipment	–	232
Inventories	–	39
Trade and other receivables	–	976
Bank balances and cash	–	1,806
Trade and other payables	–	(3,835)
	–	(782)
Gain on disposal of jointly controlled entities	–	4,658
	–	3,876
Satisfied by:		
Cash consideration	–	3,090
Deferred consideration *(note 21)*	–	786
	–	3,876
Net cash inflow arising on disposal:		
Cash received	–	3,090
Bank balances and cash disposed of	–	(1,806)
Net inflow of cash and cash equivalents in respect of the disposal of jointly controlled entities	–	1,284

The jointly controlled entities disposed of during the year ended 31 March 2008 did not contribute significantly to the Group's results and cash flows for the year ended 31 March 2008.

Notes to the Financial Statements

For the year ended 31 March 2009

35. Disposal of jointly controlled entities (Continued)

Included in the consolidated income statement for the year ended 31 March 2008 are the following items that represent the Group shares of 50% interests in the revenues and expenses of the jointly controlled entities.

	2009 **HK$'000**	2008 HK$'000
Income	–	4,964
Expenses	–	(5,635)
Loss for the year	–	(671)

36. Acquisition of a subsidiary

On 12 August 2007, the Group entered into a sale and purchase agreement with a joint venture partner as mentioned in note 35. The Group acquired the entire equity interest in Vosta Hong Kong from VLY for a consideration of HK$10,000. The acquisition was completed on 31 October 2007. An excess of the Group's share of net fair value of the interest in a subsidiary acquired over the cost of acquisition of HK$113,000 arose from this acquisition as at 31 October 2007, the completion date of the transaction, and the total consideration HK$10,000 agreed between the Company and vendor on 12 August 2007.

Notes to the Financial Statements

For the year ended 31 March 2009

36. Acquisition of a subsidiary (Continued)

The fair value of net assets acquired of was approximated in the carrying amount immediately before the combination. Details of the net assets acquired in respect of the acquisition of a subsidiary are summaried below:

	2009 **HK$'000**	2008 HK$'000
NET ASSETS ACQUIRED OF		
Plant and equipment	–	31
Inventories	–	21
Trade and other receivables	–	1,560
Bank balances and cash	–	1,667
Due from related companies	–	1,774
Trade and other payables	–	(4,930)
	–	123
Excess of the Group's share of net fair value of interest in a subsidiary acquired over the cost of acquisition	–	(113)
	–	10
Satisfied by:		
Cash consideration	–	10
Analysis of the net inflow of cash and cash equivalents in respect of the acquisition of the subsidiary:		
Cash consideration paid	–	(10)
Bank balances and cash acquired	–	1,667
Net inflow of cash and cash equivalents in respect of the acquisition of the subsidiary	–	1,657

Vosta Hong Kong contributed approximately HK$55,000 to the Group's profit for the period between the date of acquisition and the year ended 31 March 2008.

If the acquisition had been completed on 1 April 2007, the total revenue of the Group for the year ended 31 March 2008 would have been HK$303,448,000, and profit for the year ended 31 March 2008 would have been HK$6,694,000. The pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 April 2007, nor is it intended to be a projection of future results.

Notes to the Financial Statements

For the year ended 31 March 2009

37. Contingent liabilities

At the balance sheet date, the Company gave corporate guarantees for banking facilities of HK$105,320,000 (2008: HK$211,315,000) granted to certain subsidiaries. The maximum liability of the Company at the balance sheet date under the guarantees issued was the facilities utilized by the subsidiaries totalling HK$31,903,000 (2008: HK$53,865,000). The directors do not consider it probable that a claim will be made against the Company.

38. Material related party transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group has entered into the following material related party transactions:

a) Key management personnel remuneration

Remuneration for key management personnel including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	2009	2008
	HK$'000	HK$'000
Short-term employee benefits	**6,510**	6,684
Retirement scheme contributions	**24**	66
Equity compensation benefits	**–**	543
	6,534	7,293

Total remuneration is included in "staff costs" (see note 6(b)).

Notes to the Financial Statements

For the year ended 31 March 2009

38. Material related party transactions (Continued)

b) On 28 August 2008, the Company entered into a subscription agreement with 4 directors, Mr. Li Song Xiao, Mr. Yuan Kun, Mr. Lu Zhao Qun (resigned on 21 April 2009) and Mr. Xu Xiao Yang for subscription of 265,000,000 new shares. Pursuant to the agreement, 240,000,000, 10,000,000, 10,000,000 and 5,000,000 shares were issued and allotted respectively to Mr. Li Song Xiao, Mr. Yuan Kun, Mr. Lu Zhao Qun and Mr. Xu Xiao Yang at HK$0.3 per share. The shares were allotted to the directors on 5 November 2008 to 7 November 2008.

c) The Group entered into the following related party transactions with a joint venture partner

	2009 **HK$'000**	2008 HK$'000
Sales of goods	**–**	15,254
Service income	**–**	1,119
Commission income	**–**	–
Purchase of goods	**–**	760

During the year ended 31 March 2008, except for the related party transactions disclosed above, the Group entered into a sale and purchase agreement with the joint venture partner for the disposed of its 50% equity interest in VLY together with its 100% direct interest in two subsidiaries, Vosta Hong Kong and Vosta Zhuhai for a total consideration of approximately HK$3,876,000. The disposal was completed on 31 October 2007. A gain on disposal of HK$4,658,000 arose from this transaction. On the same day, the Group acquired the entire equity interest in Vosta Hong Kong from VLY for a consideration of HK$10,000. An excess of net fair value of identified assets over cost of HK$113,000 arose from this acquisition (see note 35 and 36).

d) Other related party transactions

	Note	**2009** **HK$'000**	2008 HK$'000
Sales to a related party	*(i)*	**78**	176
Staff costs	*(ii)*	**26**	777

Notes:

i) The Group sold vehicle spare parts and equipment to/from Langfang Yardway Machinery and Equipment Limited which was controlled by Fong Kit Wah, Alan, an ex-director of the Company.

ii) The amount represents staff costs paid to an individual minority shareholder of a non-wholly-owned subsidiary.

iii) On 22 April 2008, the Group acquired the remaining 25% equity interest in Yardway Enterprises Limited from Lin Yu Chung, a minority shareholder and director of the subsidiary, for a consideration of HK$900,000. Yardway Enterprise Limited became a wholly owned subsidiary of the Group upon completion of the acquisition.

Notes to the Financial Statements

For the year ended 31 March 2009

39. Commitments

At 31 March 2009, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within 1 year	**1,502**	1,535	**–**	–
After 1 year but within 5 years	**265**	237	**–**	–
	1,767	1,772	**–**	–

The Group is a lessee in respect of a number of properties held 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.

Notes to the Financial Statements

For the year ended 31 March 2009

40. Accounting estimates and judgements

a) Key sources of estimation uncertainty

Notes 15(a) and 16(a) contain information about the assumptions and their risk factors relating to valuation of leasehold land and buildings, investment properties and financial instruments. Other key sources of estimation uncertainty are as follows:

i) Write-down for obsolescence of inventories

The Group determines the write-down for obsolescence of inventories. These estimates are based on the current market condition and the historical experience on selling goods of similar nature. It could change significantly as a result of changes in market conditions.

ii) Depreciation, amortisation and impairment loss of property, plant and equipment

Property, plant and equipment are depreciated and amortised on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation expense to be recovered during the year. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation and amortisation expense for future periods is adjusted if there are significant changes from previous estimates.

Internal and external sources of information are reviewed at each balance sheet date to identify indications that assets may be impaired. The Group will review the estimated future cash flows of the assets regularly in order to determine whether impairment loss is required. An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount.

iii) Impairment loss on trade receivables

The Group evaluates whether there is any objective evidence that trade receivables are impaired, and determines the amount of impairment loss as a result of the inability of the debtors to make required payments. The Group bases the estimates on the ageing of the trade receivables balance, credit-worthiness, and historical write-off experience. If the financial condition of the debtors were to deteriorate, actual write-offs would be higher than estimated.

Notes to the Financial Statements

For the year ended 31 March 2009

40. Accounting estimates and judgements (Continued)

a) Key sources of estimation uncertainty (Continued)

iv) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

(v) Fair value of investment properties and leasehold land and buildings

Investment properties and leasehold land and buildings are carried in the balance sheet at 31 March 2009 at their fair value. The fair value was based on a valuation on these properties conducted by an independent firm of professional valuers using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and leasehold land and buildings and corresponding adjustments to the amount of gain or loss reported in the consolidated income statement and revaluation reserve.

b) Critical accounting judgements in applying the Group's accounting policies

In determining the carrying amounts of some assets and liabilities, the Group makes assumptions for the effects of uncertain future events on those assets and liabilities at the balance sheet date. These estimates involve assumptions about such items as cash flows and discount rates used. The Group's estimates and assumptions are based on historical experience and expectations of future events and are reviewed periodically. In addition to assumptions and estimations of future events, judgements are also made during the process of applying the Group's accounting policies.

Impairment of goodwill

Goodwill is stated at cost less impairment. Judgement is required when determining whether an impairment existed. In making this judgement, historical data and factors such as industry and sector performance and financial information regarding the cash-generating units are taken into account.

Summary of Properties

for the year ended 31 March 2009

The following is a list of the group's properties at 31 March 2009:

INVESTMENT PROPERTIES IN THE PRC

	Location	Lease term	Purpose	Gross area (sq.m.)
(1)	Rooms 1227 and 1228 on Level 12 of Block 1, Junefield Plaza Xuanwumenwaidajie East Xuanwu District Beijing The PRC	Medium	Commercial	190.97
(2)	Room 6B on level 6 and Car Parking Spacing No. 138 on Basement Level Beijing Regent Court No. Yi 8 Jiangguomenwaidajie Chaoyang District Beijing The PRC	Long	Residential	150.57

LEASEHOLD PROPERTIES IN HONG KONG

	Location	Lease term	Purpose	Gross area (sq.ft.)
1.	House F25 of Stage IV Marina Cove 380 Hiram's Highway Hebe Haven Sai Kung New Territories Hong Kong	Medium	Residential	2,064

Summary of Properties

for the year ended 31 March 2009

LEASEHOLD PROPERTIES IN THE PRC

	Location	Lease term	Purpose	Gross area (sq.m.)
(1)	Room 5E on level 5 and Car Parking Spacing No. 137 on Basement Level Beijing Regent Court No. Yi 8 Jiangguomenwaidajie Chaoyang District Beijing The PRC	Long	Residential	150.57
(2)	Flat A on Level 2 of Block D President Mansion No. 868 Hua Shan Road Shanghai The PRC	Long	Residential	151.27
(3)	Two parcels of land (Nos. 1-40 and 1-41) located at Phase 2 of Science and Technology Innovation Coast Zhuhai City Guangdong Province The PRC	Medium	Industrial	10,824.45
(4)	Two buildings located at Phase 2 of Science and Technology Innovation Coast Zhuhai City Guangdong Province The PRC	Medium	Industrial	9,133.93

Five Year Financial Summary

(Expressed in Hong Kong dollars)

	2009	2008	2007	2006	2005
	$'000	$'000	$'000	$'000	$'000
RESULTS					
Turnover	**189,357**	298,865	214,424	189,646	156,383
(Loss)/profit from operations	**(13,636)**	11,378	(953)	11,775	9,655
Finance costs	**(1,019)**	(2,347)	(1,749)	(1,693)	(880)
(Loss)/profit before taxation	**(14,655)**	9,031	(2,702)	10,082	8,775
Taxation	**(172)**	(2,241)	99	(1,501)	(127)
(Loss)/profit for the year	**(14,827)**	6,790	(2,603)	8,581	8,648
Attributable to:					
– Equity shareholders of the company	**(14,810)**	7,104	(2,735)	8,496	8,556
– Minority interests	**(17)**	(314)	132	85	92
(Loss)/profit for the year	**(14,827)**	6,790	(2,603)	8,581	8,648
ASSETS AND LIABILITIES					
Fixed assets	**54,598**	55,498	62,391	49,133	49,283
Other non-current assets	**242**	237	237	–	1,410
Net current assets	**139,468**	72,592	51,670	67,405	61,694
Non-current liabilities	**(6,399)**	(6,639)	(7,707)	(8,141)	(9,785)
	187,909	121,688	106,591	108,397	102,602
Share capital	**55,825**	28,825	28,085	28,000	28,000
Reserves	**132,084**	92,278	77,607	79,630	73,920
Total equity attributable to equity shareholders of the company	**187,909**	121,103	105,692	107,630	101,920
Minority interests	**–**	585	899	767	682
Total equity	**187,909**	121,688	106,591	108,397	102,602
(Loss)/earnings per share					
Basic	**(1.87) cents**	1.25 cents	(1.0) cent	3.0 cents	3.1 cents
Diluted	**(1.87) cents**	1.23 cents	N/A	N/A	N/A