YARDWAY GROUP LIMITED
啟帆集團有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 646)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2008

FINANCIAL AND OPERATION HIGHLIGHTS

	2007/08	2006/07	Percentage Change
	HK$'000	*HK$'000*	*%*
Turnover	**298,865**	214,424	39.4%
Profit/(loss) attributable to equity shareholders of the Company	**7,104**	(2,735)	–
Earnings/(loss) per share	**HK2.49 cents**	(HK0.98 cent)	–

The Board of Directors (the "Board") of Yardway Group Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2008, together with the comparative figures for 2007. The financial information set out in this announcement below does not constitute the Group's statutory financial statements for the year ended 31 March 2008, but represents an extract from those financial statements. The financial information has been reviewed by the Company's audit committee.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
Turnover	3	**298,865**	214,424
Cost of sales/services		**(248,629)**	(175,595)
Gross profit		**50,236**	38,829
Other revenue	5	**4,886**	4,380
Other net income	5	**7,391**	365
Distribution costs		**(20,598)**	(20,804)
Administrative expenses		**(36,763)**	(24,753)
Net surplus on revaluation		**1,160**	1,030
Gain on disposal of subsidiaries		**295**	–
Gain on disposal of jointly controlled entities		**4,658**	–
Negative goodwill		**113**	–
PROFIT/(LOSS) FROM OPERATIONS		**11,378**	(953)
Finance costs	6(a)	**(2,347)**	(1,749)
PROFIT/(LOSS) BEFORE TAXATION	6	**9,031**	(2,702)
Income tax	7	**(2,241)**	99
PROFIT/(LOSS) FOR THE YEAR		**6,790**	(2,603)
Attributable to:			
Equity shareholders of the company		**7,104**	(2,735)
Minority interests		**(314)**	132
PROFIT/(LOSS) FOR THE YEAR		**6,790**	(2,603)
EARNINGS/(LOSS) PER SHARE	9		
– Basic		**2.49 cents**	(0.98) cent
– Diluted		**2.46 cents**	N/A

CONSOLIDATED BALANCE SHEET

As at 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Interest in leasehold land held for own use under operating leases		**1,094**	1,018
Property, plant and equipment		**47,644**	38,773
Investment properties		**6,760**	22,600
Deferred tax assets		**237**	237
		55,735	62,628
CURRENT ASSETS			
Trading securities – listed in Hong Kong		**41**	542
Inventories		**28,121**	21,971
Trade and other receivables	*10*	**127,285**	82,411
Current taxation recoverable		**1,926**	1,942
Pledged bank deposits		**8,348**	10,309
Cash and cash equivalents		**62,731**	45,158
		228,452	162,333

	Note	2008 HK$'000	2007 HK$'000
CURRENT LIABILITIES			
Trade and other payables	*11*	**141,494**	93,034
Bank loans and overdrafts		**12,965**	17,008
Obligations under finance leases		**396**	312
Current taxation		**1,005**	192
Provisions for warranty		**–**	117
		155,860	110,663
NET CURRENT ASSETS		**72,592**	51,670
TOTAL ASSETS LESS CURRENT LIABILITIES		**128,327**	114,298
NON-CURRENT LIABILITIES			
Bank loans and overdrafts		**5,328**	6,969
Obligations under finance leases		**462**	267
Deferred tax liabilities		**849**	471
		6,639	7,707
NET ASSETS		**121,688**	106,591
CAPITAL AND RESERVES			
Share capital		**28,825**	28,085
Reserves		**92,278**	77,607
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		**121,103**	105,692
MINORITY INTERESTS		**585**	899
TOTAL EQUITY		**121,688**	106,591

Notes

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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 new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the group and the company. Note 2 provides information on any changes in accounting policies resulting from 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.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised HKFRSs and interpretations that are first effective or available for early adoption for the current accounting period of the group and the company.

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as a result of the adoption of HKFRS 7, *Financial instruments: Disclosures* and the amendment to HKAS 1, *Presentation of financial statements: Capital disclosures,* there have been some additional disclosures provided as follows:

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, *Financial instruments; Disclosure and presentation*.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the group's and the company's objectives, policies and processes for managing capital.

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial instruments.

The group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. TURNOVER

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

	2008	2007
	HK$'000	*HK$'000*
Sales of goods	**274,385**	186,344
Service income	**16,862**	15,333
Commission income	**7,618**	12,747
	298,865	214,424

4. 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 airport group support equipment, railway maintenance equipment, coaches, trucks and yachts.
Provision of engineering services and sales of spare parts:	the provision of engineering services and sales of spare parts

	Sales and distribution		Provision of engineering services and sales of spare parts		Unallocated		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**236,285**	164,464	**62,580**	49,960	**–**	–	**298,865**	214,424
Other revenue from external customers	**–**	–	**–**	–	**3,766**	2,128	**3,766**	2,128
Total	**236,285**	164,464	**62,580**	49,960	**3,766**	2,128	**302,631**	216,552
Segment results	**9,960**	2,176	**1,680**	2,318			**11,640**	4,494
Interest income							**1,120**	2,252
Unallocated operating income and expenses							**(1,382)**	(7,699)
Profit/(loss) from operations							**11,378**	(953)
Finance costs							**(2,347)**	(1,749)
Taxation							**(2,241)**	99
Profit/(loss) after tax							**6,790**	(2,603)
Depreciation and amortisation for the year	**2,344**	1,937	**255**	128	**1,714**	1,583		
Write-down of inventories	**3,726**	780	**–**	1,157	**–**	–		
Impairment losses on trade receivables	**633**	214	**–**	317	**–**	–		
Segment assets	**187,884**	161,672	**31,234**	21,568			**219,118**	183,240
Unallocated assets							**65,069**	41,721
Total assets							**284,187**	224,961
Segment liabilities	**124,881**	91,427	**21,287**	11,703			**146,168**	103,130
Unallocated liabilities							**16,331**	15,240
Total liabilities							**162,499**	118,370
Capital expenditure incurred during the year	**6,535**	11,545	**198**	191	**1,248**	2,095		

b) Geographical segments

The group's business is managed on a worldwide basis, but participates in four 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		The United States of America		Europe		Others		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**34,406**	28,609	**240,952**	159,548	**–**	2,572	**21,783**	23,689	**1,724**	6	**298,865**	214,424
Segment assets	**162,536**	166,019	**121,651**	58,942	**–**	–	**–**	–	**–**	–	**284,187**	224,961
Capital expenditure incurred during the year	**2,334**	3,005	**5,647**	10,826	**–**	–	**–**	–	**–**	–	**7,981**	13,831

5. OTHER REVENUE AND NET INCOME

	2008	2007
	HK$'000	*HK$'000*
Other revenue		
Interest income from bank	**1,120**	2,252
Total interest income on financial assets not at fair value through profit or loss	**1,120**	2,252
Gross rental income from investment properties	**1,816**	1,739
Management fee income	**120**	–
Dividend income from listed securities	**13**	22
Compensation income	**1,710**	–
Others	**107**	367
	4,886	4,380

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 space parts provided by the Group.

	2008	2007
	HK$'000	*HK$'000*
Other net income		
Net exchange gain	**6,482**	514
Net loss on disposal of property, plant and equipment	**(219)**	(317)
Gain on disposal of investment properties	**884**	–
Net gain on sale of trading securities	**269**	106
Net unrealised (loss)/gain on trading securities carried at fair value	**(25)**	62
	7,391	365

6. PROFIT/(LOSS) BEFORE TAXATION

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

	2008	2007
	HK$'000	*HK$'000*
a) Finance costs		
Interest on bank advances and bank borrowings repayable within five years	**1,882**	1,172
Interest on bank advances and bank borrowings repayable after five years	**389**	485
Finance charges on obligations under finance leases	**76**	92
Total interest expense on financial liabilities not at fair value through profit or loss	**2,347**	1,749
b) Staff costs (including director's remuneration)		
Contributions to defined contribution retirement plans	**1,335**	1,319
Equity-settled share-based payment expenses	**543**	327
Salaries, wages and other benefits	**27,768**	21,305
	29,646	22,951
c) Other items		
Amortisation of land lease premium	**24**	20
Depreciation		
– assets held for own use under finance leases	**207**	377
– other assets	**4,082**	3,251
Impairment losses on trade and other receivables	**633**	531
Impairment losses on due from jointly controlled entities	**1,099**	–
Increase in provision for warranty costs	**6**	24
Auditor's remuneration		
– audit services	**972**	900
– other services	**93**	47
Net loss/(gain) on forward foreign exchange contracts	**183**	(927)
Operating lease charges in respect of properties:		
– minimum lease payments	**2,287**	2,678
Rentals from investment properties less direct outgoings of HK$49,000 (2007: HK$79,000)	**(1,767)**	(1,660)
Cost of inventories	**233,202**	169,132

7. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

	2008	2007
	HK$'000	*HK$'000*
Current tax – Hong Kong profits tax		
Provision for the year	**22**	107
Current tax – PRC income tax		
Provision for the year	**2,187**	271
	2,209	378
Deferred tax		
Origination and reversal of temporary differences	**32**	(477)
	2,241	(99)

The provision for Hong Kong profits tax for 2008 is calculated at 17.5% (2007: 17.5%) of the estimated assessable profits for the year. PRC taxation is charged at the appropriate current rate of taxation ruling in the PRC.

A foreign-invested enterprise of the company's subsidiary was subject to mainland China enterprise income tax rate of 33% in 2007. Another foreign-invested enterprise of the company's subsidiary was subject to mainland China preferential income tax rate of 15% and entitled to 50% reduction for three years after first two profitable years. Therefore, the subsidiary was subject to mainland China enterprise income tax rate of 7.5%.

8. DIVIDENDS

a) Dividends payable to equity shareholders of the company attributable to the year:

The Board does not recommend the payment of any dividend for the year ended 31 March 2008 (2007: Nil).

b) Dividend payable to equity shareholders of the company attributable to the previous financial year, approved and paid during the year:

	2008	2007
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of nil cent per ordinary share (2007: 1 HK cent per ordinary share)	**–**	2,800

9. EARNINGS/(LOSS) PER SHARE

a) Basic earnings/(loss) per share

The calculation of the basic earnings per share is based on the profit attributable to ordinary equity shareholders of the company of HK$7,104,000 (2007: loss of HK$2,735,000) and the weighted average number of HK$284,845,000 ordinary shares (2007: 280,154,000 ordinary shares) in issue during the year.

	2008 Number of shares *'000*	2007 Number of shares *'000*
Issued ordinary shares at 1 April	**280,850**	280,000
Effect of share options exercised	**3,995**	154
Weighted average number of ordinary shares at 31 March	**284,845**	280,154

b) Diluted earnings/(loss) per share

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 288,890,000 shares. Diluted loss per share for the year ended 31 March 2007 has not been disclosed as the impact of the potential ordinary shares is anti-dilutive.

Weighted average number of ordinary shares

	2008 Number of shares *'000*	2007 Number of shares *'000*
Weighted average number of ordinary shares at 31 March	**284,845**	280,154
Effect of deemed issue of shares under the company's share option scheme for nil consideration	**4,045**	N/A
Weighted average number of ordinary shares (diluted) at 31 March	**288,890**	N/A

10. TRADE AND OTHER RECEIVABLES

	2008	2007
	HK$'000	*HK$'000*
Trade receivables	**90,928**	37,547
Retentions receivable	**16,103**	13,793
Other receivables	**1,144**	4,281
Due from related company	**–**	274
Due from jointly controlled entities	**–**	2,094
Deferred consideration	**786**	–
Loan and receivables	**108,961**	57,989
Derivative financial instruments:		
– forward exchange contracts	**54**	150
Prepayments and deposits	**18,270**	24,272
	127,285	82,411

All of the trade and other receivables (including amounts due from related company, jointly controlled entitles and deferred consideration), apart from certain retentions receivable are expected to be recovered within one year.

Retentions receivable 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$3,931,000 (2007: HK$5,350,000).

The amount due from related company is unsecured, interest-free and repayable on demand.

The amounts due from jointly controlled entities are unsecured, interest free and repayable on demand, except for an amount of HK$Nil (2007: HK$1,000,000) which is bearing interest at 5% per annum and repayable on 31 December 2007.

a) Ageing analysis

Including in trade and other receivables are trade receivables (net of allowance for bad and doubtful debts) with the following ageing analysis as of the balance sheet date:

	2008	2007
	HK$'000	*HK$'000*
Current	**70,893**	25,660
1 to 3 months past due	**9,755**	8,563
More than 3 months but less than 12 months past due	**9,521**	2,836
More than 12 months past due	**759**	488
	90,928	37,547

b) 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.

Movements in the allowance for doubtful debts

	2008	2007
	HK$'000	*HK$'000*
At 1 April	**506**	25
Impairment loss recognised *(note i)*	**633**	481
At 31 March	**1,139**	506

Note:

i) These individually impaired receivables were outstanding for more than 1 year as at the balance sheet date or were due from companies with financial difficulties.

Trade receivables are due within 2 months from the date of billing.

c) 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:

	2008	2007
	HK$'000	*HK$'000*
Neither past due nor impaired	**70,893**	25,660
1 to 3 months past due	**9,755**	8,564
3 to 12 months past due	**9,521**	2,835
More than 1 year past due	**759**	488
	90,928	37,547

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.

11. TRADE AND OTHER PAYABLES

	2008	2007
	HK$'000	*HK$'000*
Trade and bills payables	**105,809**	60,859
Other payables and accruals	**8,980**	7,595
Amounts due to related companies	**–**	1,328
Financial liabilities measured at amortised cost	**114,789**	69,782
Derivative financial instruments:		
– foreign exchange contracts	**87**	–
Sales deposits received	**26,618**	23,252
	141,494	93,034

All trade and other payables are expected to be settled within one year.

The amounts due to related companies are unsecured, interest free and have no fixed terms of repayment, except for an amount of HK$Nil (2007: HK$1,000,000) which is interest bearing interest at 5% per annum and repayable on 31 December 2007.

Including in trade and other payables are trade and bills payables with the following ageing analysis as of the balance sheet date.

	2008	2007
	HK$'000	*HK$'000*
Due within 1 month or on demand	**51,171**	33,689
Due after 1 month but within 3 months	**5,828**	10,876
Due after 3 months but within 6 months	**10,205**	5,332
Due after 6 months but within 1 year	**19,179**	8,280
	86,383	58,177
Bills payable	**19,426**	2,682
	105,809	60,859

12. NON – ADJUSTING POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date on 22 April 2008, the Group acquired the remaining 25% interest, representing 500,000 ordinary shares at nominal value of HK$1 each, of a subsidiary, Yardway Enterprise Limited, from minority interest for a consideration of HK$1.8 per share amounting to HK$900,000. Upon completion of the transaction, Yardway Enterprise Limited becomes a wholly-owned subsidiary of the group.

SCOPE OF WORK OF CCIF CPA LIMITED

The figures in respect of the announcement of the Group's results for the year ended 31st March 2008 have been agreed by the Group's auditor, CCIF CPA Limited to the amounts set out in the Group's audited financial statements for the year. The work performed by CCIF CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by CCIF CPA Limited on the announcement.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 19 August 2008 to Friday, 22 August 2008, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting to be held on Friday, 22 August 2008, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrars of the Company, Tricor Standard Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Monday, 18 August 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the year ended 31 March 2008, the Group posted a record high turnover of about HK$298,865,000, representing an increase of about 39.4% compared to that of 2007. The Group turned loss to profit with its profit attributable to equity shareholders was about HK$7,104,000 (2007: loss of HK$2,735,000). Gross profit margin was approximately 16.8% as compared to 18.1% in last year, while excluding the commission effect in the turnover, the gross profit margin increased from 12.9% in 2007 to 14.6% in 2008.

BUSINESS REVIEW

During the year, our business has been growing continuously in the People's Republic of China ("PRC") although we faced intense competition. 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 China Railway Construction Corporation. The growth driver of the turnover was mainly attributable to the strong demand for railway maintenance equipment.

For the year ended 31 March 2008, distribution costs of the Group recorded an amount of approximately HK$20,598,000 (2007: HK$20,804,000). The distribution costs was fairly stable as compared with last year. Administrative expenses of the Group for the year amounted to approximately HK$36,763,000 (2007: HK$24,753,000), representing an increase of approximately 48.5% as compared with last year. These expenses included additional expenditure related to the legal and professional fees and printing expenses for the general offer in October 2007. The increased staff costs and rent during the year also led to the increase of the administration expenses.

Following the change of controlling shareholder in October 2007, the Group has undertaken a review of the business operation. In October 2007, the Group had separated with our joint venture partner due to our different development directions. The disposal of the jointly controlled entities resulted a gain of HK$4,658,000. In November 2007 and January 2008, the Group disposed of its loss subsidiaries so that the Group can concentrate its resources on the development of the core business. The disposal resulted in gain of HK$295,000. During the year under review, the Group also disposed one of the investment properties in Hong Kong. Although the gain on disposal is insignificant, this transaction had enhanced the Group's cash position. The Group also benefited from the appreciation of Renminbi. The change in fair values of properties of approximately HK$1,160,000 was reflected in the profit and loss account.

PROSPECTS

Looking forward, the management believes that the major challenge to the Group is inflation in the PRC which increases the operating cost and other expenditure of PRC operations.

The continuous growth of the PRC economy boosted the demand for the infrastructure equipment. The Group will continue to seek the new business opportunities with prudence. The management believes that with the sustained growth of the PRC market, there would be increasing demand of infrastructure equipment; however such increase may come slower than anticipated as the slow down of the infrastructure development in Beijing during the Olympic Games period.

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.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2008, the Group had 132 employees (2007: 130 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 2008, cash and bank balances including pledged fixed deposits of the Group were HK$71,079,000 (2007: HK$55,467,000). The cash and bank balances consisted of about 71% in Hong Kong dollars, 14% in US dollars, 11% in Renminbi, 2% in Euro, and 2% in other currencies.

As at 31 March 2008, the Group had total assets of HK$284,187,000 (2007: HK$224,961,000) and total liabilities of HK$162,499,000 (2007:HK$118,370,000). As at 31 March 2008, the current ratio was 1.47 (2007:1.47), calculated on the basis of current assets of HK$228,452,000 (2007:HK$162,333,000) over current liabilities of HK$155,860,000 (2007:HK$110,663,000).

The Group's bank borrowings amounted to HK$18,293,000 (2007: HK$23,977,000). 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 7% (2007: 11%).

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 hedge its foreign exchange exposure in order to reduce net exposure to currency fluctuations.

Charge on Assets

As at 31 March 2008, certain of the Group's land and buildings and investment properties with an aggregate carrying value amounting to HK$17,000,000 (2007: HK$30,600,000) and bank deposits of HK$8,348,000 (2007: HK$10,309,000) were pledged with the banks to secure banking facilities granted to the Group. Included in pledged bank deposits are denominated in Renminbi Yuan 1,626,000 (2007: RMB3,944,000) which are pledged by the Group's wholly owned subsidiary in Zhuhai, the PRC.

CONTINGENT LIABILITIES

Financial guarantees issued

At 31 March 2008, the company has undertaken to guarantee certain banking facilities granted to certain subsidiaries to the extent of HK$211,315,200 (2007: HK$238,000,000).

As at the balance sheet date, 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 (2007: HK$46,372,000).

PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S LISTED SHARES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 March 2008.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), throughout the year ended 31 March 2008 except for the following deviations:

1. The roles of Chairman and Chief Executive Office should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and Chief Executive Officer should be clearly established and set out in writing. The Company does not have the position of Chief Executive Officer.

2. The non-executive directors should be appointed for a specific term, subject to re-election.

   There is no service contract between the Company and the existing non-executive directors (including the independent non-executive directors). Although the non-executive directors are not appointed for a specific term, all directors of the Company are subject to retirement by rotation once every three years pursuant to the Company's Articles of Association.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and with the knowledge of the board of the Company as at the date of this announcement, the Company has maintained the prescribed public float under the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. 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 2008.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors. The audit committee has reviewed with the management and the Company's external auditors the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting process including the review of the financial statements for the year ended 31 March 2008.

BOARD OF DIRECTORS

As at the date hereof, the Board is composed of five executive directors, namely Mr. Li Song Xiao, Mr. Yuan Kun, Mr. Lu Zhao Qun, Ms. Song Xuan and Mr. Xu Xiao Yang; one non-executive director, namely Mr. Yin Jie; and three independent non-executive directors, namely Mr. Zhang Qing Lin, Mr. Gao Ling and Mr. Cui Yong.

By order of the Board
Li Song Xiao
Chairman

Hong Kong, 24 July 2008