

啟帆集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 646)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

RESULTS

TOTAL EQUITY

The Board of Directors (the "Board") of Yardway Group Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2006 together with the comparative figures for the corresponding period in 2005. The interim results for the six months ended 30 September 2006 have been reviewed by the Company's audit committee.

CONSOLIDATED INCOME STATEMENT			
(Expressed in Hong Kong dollars)			nths ended ptember
	Notes	2006 \$'000 (unaudited)	2005 \$'000 (unaudited)
Turnover Cost of sales/services	2	93,321 (71,229)	69,155 (54,133)
Gross profit Other revenue Other net loss Distribution costs Administrative expenses	<i>3 3</i>	22,092 2,474 (36) (9,000) (10,648)	15,022 2,207 (732) (7,056) (8,744)
Valuation gains on investment property Profit from operations Finance costs	4(a)	4,882 (935)	2,000 2,697 (677)
Share of loss of jointly controlled entities	, ,	(601)	
Profit before taxation Income tax	<i>4</i> 5	3,346 (353)	2,020 (5)
Profit for the period		2,993	2,015
Attributable to: Equity shareholders of the Company Minority interests		2,489 504	1,948 67
Profit for the period		2,993	2,015
Earnings per share Basic	7	0.89 cent	0.70 cent
CONSOLIDATED BALANCE SHEET At 30 September 2006 (Expressed in Hong Kong dollars)			
(Notes	At 30 September 2006 \$'000	At 31 March 2006 \$'000
Non-current assets		(unaudited)	(audited)
Fixed assets - Investment properties - Other property, plant and equipment - Interest in leasehold land held for		21,410 26,584	21,410 26,739
own use under operating leases		961	984
Current assets		48,955	49,133
Trading securities – listed in Hong Kong Inventories		761 14,459	686 14,534
Trade and other receivables Current taxation recoverable	8	59,750 1,918	59,640 1,896
Finance lease receivable		39	98
Pledged bank deposits Cash and cash equivalents		10,387 61,610	9,032 85,451
		148,924	171,337
Current liabilities Trade and other payables	9	67,335	87,157
Bank loans and overdrafts Obligations under finance leases		13,274 386	16,294 366
Current taxation		354	16
Provision		166	102 022
Net current assets		81,515 67,409	103,932 67,405
Total assets less current liabilities		116,364	116,538
Non-current liabilities Bank loans		7,369	7,763
Obligations under finance leases Deferred tax liabilities		404	291
Deferred tax habilities		7,813	87
NET ASSETS		108,551	108,397
CAPITAL AND RESERVES Share capital Reserves		28,000 79,280	28,000 79,630
Total equity attributable to equity shareholders of			
the Company Minority interests		107,280 1,271	107,630 767
winority interests			

Notes:

(Expressed in Hong Kong dollars)

1. Basis of presentation

The interim financial report has been prepared in accordance with applicable disclosure provisions of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), including compliance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). It was authorised for issuance on 18 December 2006

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2006 annual financial statements. In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations issued by the HKICPA, which are effective for accounting periods beginning on or after 1 January 2006. The adoption of the new standards, amendments and interpretations had no material effect on how the results for the current and /or prior accounting periods are prepared and presented.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2006 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by the Company's audit committee.

The financial information relating to the financial year ended 31 March 2006 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 March 2006 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 18 July 2006.

Segment reporting

Turnover represents the sales value of goods supplied to customers, services income and commission income

An analysis of the Group's revenue and results for the period by business and geographical segments respectively is as follows: Business segments

2006

\$'000

2005

\$'000

(732)

(36)

Six months ended 30 September Provision of Sales and distribution 2006 2005 engineering services and sales of spare parts 2006 2005 2006 \$'000 2006 \$'000 2005 \$'000 \$'000 \$'000 \$'000 (unaudited) (unaudited) (unaudited) (unaudited) (unaudited) (unaudited) (unaudited)

Revenue from external customers	70,859	51,386	22,462	17,769	-	_	93,321	69,155
Other revenue from external customers	-	_	_	-	2,474	2,207	2,474	2,207
Total	70,859	51,386	22,462	17,769	2,474	2,207	95,795	71,362
Segment results Unallocated operating	6,711	2,614	(481)	302			6,230	2,916
income and expenses						_	(1,348)	(219)
Profit from operations Finance costs Share of loss of jointly							4,882 (935)	2,697 (677)
controlled entities Taxation	(601)	-	-	-	-	-	(601) (353)	_ (5)
Profit after tax						_	2,993	2,015
Depreciation and amortisation						=		
for the period	384	493	108	121	1,180	1,035		
Valuation gains on investment property						(2,000)		
Segment assets Unallocated assets	122,473	147,492	32,651	19,998			155,124 42,755	167,490 31,097
Total assets						_	197,879	198,587
Segment liabilities Unallocated liabilities	66,428	80,453	11,651	4,399		=	78,079 11,249	84.852 12,198
Total liabilities						_	89,328	97,050

Capital expenditure incurred during the period Geographical segments Six months ended 30 September

			Dane.	months cha	ea co septem					
					The Unit	ed States				
	Hong	Hong Kong		Hong Kong The PRC		of An	of America		Others	
	2006	2005	2006	2005	2006	2005	2006	2005		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)		
Revenue from external customers	22,944	19,941	67,039	46,455	1,287	2,634	2,051	125		
Segment assets	151,648	170,002	44,390	28,350	_	_	1,841	235		
Capital expenditure incurred										
during the period	2,045	1,303	34	82						

3. Other revenue and other net loss

108,551

108,397

	Six months ended 30 September		
	2006	2005	
	\$'000	\$'000	
	(unaudited)	(unaudited)	
Other revenue			
Gross rental income from investment properties	870	866	
Interest income	1,352	503	
Royalty income	179	335	
Dividend income from listed securities	18	11	
Others	55	492	
	2,474	2,207	
Other net loss			
Exchange loss, net	(279)	(1,136)	
Gain on sale of fixed assets	206	388	
Net gain on sale of trading securities	61	_	
Net unrealised (loss)/gain on trading securities carried at fair value	(24)	16	

4. Profit before taxation

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

		Six months ended 30 September	
		2006 \$'000	2005 \$'000
		(unaudited)	(unaudited)
(a)	Finance costs:		
	Interest on bank borrowings repayable within five years	617	451
	Interest on bank borrowings repayable after five years	255	198
	Finance charges on obligations under finance leases	63	28
		935	677
(b)	Staff costs:		
	Contribution to defined contribution plans	558	451
	Salaries, wages and other benefits (including directors' remuneration)	10,291	9,467
		10,849	9,918
(c)	Other items:		
	Amortisation of land lease premium	10	7
	Depreciation - owned fixed assets	1,513	1,503
	- assets held for use under finance leases	1,515	1,303
	Net loss on forward exchange contract	7	139
	Operating lease charges in respect of properties	994	623
	Rentals receivable from investment properties less direct outgoings of	224	023
	\$45,000 (six months ended 30 September 2005:\$108,000)	(825)	(757)
	Cost of inventories	66,451	50,244

5. Income tax

		Six months ended 30 September	
	2006	2005	
	\$'000	\$'000	
	(unaudited)	(unaudited)	
Current tax - Hong Kong Profits Tax			
Tax for the period	355	_	
Over-provision in respect of prior years	_	(30)	
	355	(30)	
Current tax - PRC	45	43	
Deferred tax	(47)	(8)	
	353	5	

The provision for Hong Kong Profits Tax for the period ended 30 September 2006 is calculated at 17.5%. PRC taxation is charged at the appropriate current rate of taxation ruling in the PRC.

6. Interim dividend

The directors do not recommend any interim dividend for the six months ended 30 September 2006 (2005: Nil).

7. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of \$2,489,000 (six months ended 30 September 2005: \$1,948,000) and the weighted average number of 280,000,000 ordinary shares (six months ended 30 September 2005: 280,000,000 ordinary shares) in issue during the period.

The diluted earnings per share is not presented as all the potential ordinary shares are anti-dilutive for the six months ended 30 September 2005. There were no potential dilutive ordinary shares in issues during the six months ended 30 September 2006.

. Trade and other receivables

	30 September	31 March
	2006	2006
	\$'000	\$'000
	(unaudited)	(audited)
Trade and bills receivables	28,982	34,285
Retentions receivable	7,603	6,411
Prepayments, deposits and other receivables	21,917	18,279
Amount due from a related company	272	256
Amount due from a jointly controlled entity	976	409
	59,750	59,640
AB 64 - 1 1 4 - 1 11 6 1 F - 1 1 6 1 1 1	14 114 114	

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

Included in trade and other receivables are trade and bills receivables (net of impairment losses for bad and doubtful debts) with the following ageing analysis as of the balance sheet date

30 September	31 March
2006	2006
\$'000	\$'000
(unaudited)	(audited)
19,387	21,965
5,686	8,866
3,394	1,969
515	1,485
28,982	34,285
	2006 \$'000 (unaudited) 19,387 5,686 3,394 515

Retentions receivable are amounts which are not paid until the satisfaction of conditions specified in the contract for the payment of such amounts

9. Trade and other payables

	30 September 2006 \$'000 (unaudited)	31 March 2006 \$'000 (audited)
Trade and bills payable Sales deposits received Other payables and accruals Amount due to a related company	36,626 22,080 8,301 328	58,413 24,403 4,013 328
	67,335	87,157

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

payables with the following ageing analysis as of the balance sheet date.		
	30 September	31 March
	2006	2006
	\$'000	\$'000
	(unaudited)	(audited)
Due within 1 month or on demand	18,954	18,729
Due after 1 month but within 3 months	3,497	12,453
Due after 3 months but within 6 months	_	6,601
Due after 6 months but within 1 year	8,297	8,155
	30,748	45,938
Bills payable	5,878	12,475
	36,626	58,413

MANAGEMENT DISCUSSION AND ANALYSIS

Results and Business Review

During the six months ended 30 September 2006, the Group's turnover increased by 35% to HK\$93,321,000 from HK\$69,155,000 in the same period in 2005. Profit attributable to the equity holders of the Company rose to HK\$2,489,000, growing 28% compared with the same period last year. Earnings per share for the six months ended 30 September 2006 were HK0.89 cent (2005: HK0.70 cent).

During the review period, China continued to be the largest market for the Group which recorded a turnover of approximately HK\$67 million representing a 44% growth over last year. In operation for a few months, the Group's new wholly owned subsidiary in Beijing was on track. The Group's turnover and results had recorded a double digit growth. The increase in turnover was driven by the strong demand of railway machines, engines and its parts in China. In addition, the increase in the sales of seabed dredging equipment in the first half of the financial year was very encouraging.

The Group recorded a higher interest income of HK\$1,352,000 when compared to that for the same period in 2005 of HK\$503,000, as a result of efficient cash management and higher interest rates.

During the period under review, the Group's distribution costs and administrative expenses were HK\$9,000,000 and HK\$10,648,000, representing an increase of 28% and 22% respectively as compared to last corresponding period. The increase in operating expenses primarily due to the increase in staff costs from hiring new staff to support the business growth.

Future Outlook

The directors of the Group remain optimistic about the outlook for the second half of the year. With the continuous growth in the infrastructure development in China, the management believes that the corresponding demand for the railway maintenance equipment will be increased. The Group will continue to differentiate itself from competition by providing after sales and engineering support to our customers. In order to diversify the Group's sources of income, the Group has devoted great effort to secure the cooperation with the potential business partners.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2006, the Group employing 128 staffs in Hong Kong and the PRC. The Group remunerates its employees based on their performance, work experience and the prevailing market price. The remuneration packages include basic salary, double pay, commission, insurance and mandatory provident fund. Share options might also be granted to eligible employees of the Group. The packages are reviewed annually by the management and the Remuneration Committee.

LIQUIDITY AND FINANCIAL RESOURCES

Liquidity

During the period under review, the Group continued to maintain a liquid position. As at 30 September 2006, cash and cash equivalents including pledged fixed deposits of the Group were HK\$71,997,000 (31 March 2006: HK\$94,483,000). The cash and cash equivalents consisted of about 69% in US dollars, 13% in Renminbi, 8% in Euro, 8% in Hong Kong dollars and 2% in other currencies.

As at 30 September 2006, the current ratio was 1.83 (31 March 2006:1.65), calculated on the basis of current assets of HK\$148,924,000 over current liabilities of HK\$81,515,000.

The Group's bank borrowings amounted to approximately HK\$20,643,000 (31 March 2006: HK\$24,057,000). The Group's borrowings, denominated in Hong Kong dollars, United States dollars and Euro, mainly comprise invoice financing loans and mortgage loans bearing floating interest rates. The Group's gearing ratio, based on the total borrowings to total assets of HK\$197,879,000, was 11% (31 March 2006: 11%).

Foreign exchange exposure and hedging

The Group mainly earns revenue in United States dollars, Renminbi and Hong Kong dollars while incurs the costs in Euro. As such, the Group is exposed to foreign exchange risk. The Group made use of forward contracts to hedge its foreign exchange exposure in order to reduce net exposure to currency fluctuations.

Charge on Assets

As at 30 September 2006, certain of the Group's land and buildings and investment properties with an aggregate carrying value amounting to HK\$28,370,000 (31 March 2006: HK\$28,500,000) and bank deposits of HK\$10,387,000 (31 March 2006: HK\$9,032,000) were pledged with the banks to secure banking facilities granted to the Group. Included in pledged bank deposits are denominated in Renminbi Yuan 4,371,000 which are pledged by the Group's wholly owned subsidiary in Zhuhai, the PRC.

CONTINGENT LIABILITIES

At 30 September 2006, the Group provided guarantees in favour of third parties (representing customers and potential customers) for performing duties and quality assurance amounting to approximately HK\$1,955,000 (31 March 2006: Nil) and HK\$17,524,000 (31 March 2006: HK\$24,638,000) respectively.

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 period under review.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company recognizes 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 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 six months ended 30 September 2006 except for the code provisions in respect of A.2.1 and A.4.1. Deviations from code provisions A.2.1 and A.4.1 of CG Code in respect of the separate roles of chairman and chief executive officer and service term of the directors are explained in the section "Corporate Governance" on pages 16 and 18 of the 2006 Annual Report respectively.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors by 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 six months ended 30 September 2006.

AUDIT COMMITTEE

The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial statements for the six months ended 30 September 2006.

PUBLICATION OF INTERIM RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE $\,$

The interim report of the Company containing all information required by the Listing Rules will be published on the website of the Stock Exchange (www.hkex.com.hk) in due course.

APPRECIATION

The Directors and management would like to take this opportunity to extend their gratitude and sincere appreciation to all staff for their contributions to the Group during the period under review.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises Mr. Fong Kit Wah, Alan, Mr. Rourke James Grierson and Ms. Cheung Miu Sin as the executive directors, Mr. Yin Jie as the non-executive director and Mr. Wong Man Chung, Francis, Mr. Chan Ting Kwong and Ms. Fung Siu Wan, Stella as the independent non-executive directors.

By Order of the Board Fong Kit Wah, Alan Chairman and Managing Director

Hong Kong, 18 December 2006