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YARDWAY GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)
(the “Company”)
(Stock Code: 646)

ANNOUNCEMENT

IN PURSUANCE OF RULES 13.13 and 13.15 OF THE LISTING RULES

The Directors announce the details of trading receivables from a customer pursuant to Rules 13.13 and 13.15 of the Listing Rules. According to the latest management accounts of the Group, as at 31 May 2004, such trading receivables amounted to US\$3,838,321 (equivalent to approximately HK\$29,938,904). Approximately 89% of such trading receivables had been settled before the date of this announcement.

The following disclosure is made by Yardway Group Limited (the “Company”) in compliance with the disclosure requirements under Rules 13.13 and 13.15 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

According to the latest management accounts of the Group, as at 31 May 2004, the Company and its subsidiaries (the “Group”) had trading receivables (“Receivables”) for sales of turnout rail grinder (“Grinder”) due from a customer namely, INSTRIMPEX International Tendering Company which was a procurement agent (“Agent”) appointed by the Ministry of Railways of the People’s Republic of China (“MOR”). The amount of the Receivables was approximately US\$3,838,321 (equivalent to approximately HK\$29,938,904). As at 31 May 2004, there are 280,000,000 shares of the Company in issue. Based on the average closing price of the Company’s shares of HK\$0.24 as stated in the Stock Exchange’s daily quotation sheets for the trading days from 21 May 2004 to 28 May 2004 (both days inclusive), being the five business days immediately preceding 31 May 2004, the total market capitalisation of the Company is HK\$67,200,000 as at 31 May 2004. Accordingly, the Receivables amounted to approximately 44.55% of the total market capitalisation of the Company as at 31 May 2004. Further, the Receivables represented approximately 16.60% of the total assets value of HK\$180,373,000 of the Group as set out in its latest published interim report for the period ended 30 September 2003 (“Latest Published Accounts”). As the Receivables exceed 8% of the total market capitalisation of the Company as at 31 May 2004 and 8% of the Group’s total assets values as set out in the Latest Published Accounts, the Company is obliged to disclose such information by way of a press announcement according to Rules 13.13 and 13.15 of the Listing Rules.

Each of the Agent and the MOR is an independent third party not connected to the directors, chief executive or substantial shareholders of the Company, or their respective subsidiaries or associates, as defined in the Listing Rules. The Receivables are unsecured and interest free and primarily arose from sales to the Agent acting on behalf of the MOR transacted during the financial year ended 31 March 2005. The Receivables are agreed to be fully settled by way of a letter of credit drawn at sight, amongst which 89% of the Receivables was settled on 15 June 2004 while the remaining approximately 11% of the Receivables is expected to be settled upon the issue of acceptance certificate in respect of the Grinder by the MOR and the date of which is not determined yet.

The board of directors (“Directors”) of the Company confirms that, save as disclosed above, the Company does not have other disclosure obligations under Rules 13.13 and 13.15 of the Listing Rules as at the date of this announcement.

List of all Directors of the Company as at the date of this announcement

Executive Directors:

Mr. Fong Kit Wah, Alan
Mr. Rourke James Grierson
Mr. Cheung Miu Sin

Independent non-executive Directors:

Mr. Law Yui Lun
Mr. Wong Man Chung, Francis

Non-executive Director:

Mr. Yin Jie

By Order of the Board
Fong Kit Wah Alan
Chairman

Hong Kong, 16 June 2004

The Directors of the Company jointly and severally accept full responsibility of the accuracy of the information contained in this announcement and confirm having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.