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YARDWAY GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

(the "Company")

Stock Code : 646

CONNECTED TRANSACTION SALE OF A YACHT

On 12 August 2004, the Purchase Order was entered into between YML (a subsidiary of the Company) and IG Pty, pursuant to which YML agreed to sell and IG Pty agreed to purchase a yacht, Gourmet Cruiser 32, at consideration of US\$159,350 (equivalent to HK\$1,242,930). As IG Pty is an associate (as defined under the Listing Rules) of Mr Harvey Halvorsen, being a substantial shareholder and a director of YML indirectly interested in 49% issued shares of YML, the placing of the Purchase Order constitutes connected transaction of the Company under the Listing Rules. As the total consideration does not exceed 25% of each of the percentage ratios defined under the Listing Rules and HK\$10,000,000, the transaction is accordingly only subject to the reporting and announcement requirements under Rule 14A.32(2) of the Listing Rules.

PURCHASE ORDER DATED 12 AUGUST 2004 ("PURCHASE ORDER")

Parties:

- (1) Yardway Marine Limited ("YML"), a 51% owned subsidiary of the Company, as the vendor; and
- (2) Island Gypsy Pty Ltd ("IG Pty"), a company incorporated in Australia, of which 50% of its issued shares was owned by Mr Harvey Halvorsen, being a substantial shareholder and a director of YML indirectly interested in 49% issued shares of YML, as the purchaser.

YML is principally engaged in the business of designing and selling of luxury yachts while IG Pty is principally engaged in the business of luxury yachts trading.

Subject-matter:

Pursuant to the Purchase Order, YML agreed to sell and IG Pty agreed to purchase a brand new yacht produced by YML, i.e. Gourmet Cruiser 32, hull #GC32-019 with single cummins 330B rated at 330 hp in 32 feet ("Yacht").

Consideration and payment terms:

The consideration of the Yacht is US\$159,350 (equivalent to HK\$1,242,930) which has been fully paid to YML by IG Pty on 13 August 2004. The delivery of the Yacht is expected to be made before the end of August 2004. The consideration for the Yacht was arrived at after arm's length negotiations and on normal commercial terms that are no less favourable to similar sales to independent third parties. YML has made a gain from the transaction.

REASONS FOR THE TRANSACTION

The Directors of the Company, including the independent non-executive directors, consider that the transaction is fair and reasonable and the terms of the Purchase Order were arrived at after arm's length negotiations and have been conducted on normal commercial terms. The transaction also increases the revenue of the Group and is therefore in the interests of the Company and the shareholders as a whole.

CONNECTED TRANSACTION

IG Pty is a company owned as to 50% by Mr Harvey Halvorsen (a substantial shareholder and a director of YML indirectly interested in 49% issued shares of YML) and as to 50% by an independent third party. As IG Pty is an associate (as defined under the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules")) of Mr Harvey Halvorsen, the placing of the Purchase Order constitutes connected transaction of the Company under the Listing Rules. As the consideration does not exceed 25% of each of the percentage ratios defined under the Listing Rules and HK\$10,000,000, the transaction is accordingly only subject to reporting and announcement requirements under Rule 14A.32(2) of the Listing Rules.

For and on behalf of
Yardway Group Limited
Fong Kit Wah Alan
Chairman

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
Ms. Cheung Miu Sin

Independent non-executive Directors:

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

Non-executive Director:

Mr. Yin Jie

Hong Kong, 16 August 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.