

(incorporated in the Cayman Islands with limited liability)

(Stock code: 646)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

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 (collectively the "Group") for the six months ended 30 September 2004 together with the comparative figures for the corresponding period in 2003. This interim financial report has not been audited, but has been reviewed by the Company's audit

CONDENSED CONSOLIDATED INCOME STATEMENT

		s ended mber	
	Notes	2004 <i>HK\$'000</i> (unaudited)	2003 HK\$'000 (unaudited)
Turnover Cost of sales/services	2	83,568 (68,938)	90,818 (73,726)
Gross profit		14,630	17,092
Other revenue Other net income Distribution costs Administrative expenses	3 3	325 1,638 (6,702) (8,129)	716 1,261 (7,660) (8,886)
Profit from operations		1,762	2,523
Finance costs	4(a)	(464)	(718)
Profit from ordinary activities before taxation Taxation	<i>4</i> 5	1,298 (27)	1,805 (190)
Profit from ordinary activities after taxation Minority interests		1,271 81	1,615 156
Profit attributable to shareholders		1,352	1,771
Basic earnings per share	6	0.48 cent	0.63 cent

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Basis of Presentation and Accounting Policies

The unaudited condensed consolidated financial statements are prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Hong Kong Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies adopted are consistent with those used in the annual financial statements for the year ended 31 March 2004. These interim financial statements should be read in conjunction with the 2004 annual financial statements.

Six months ended 30 September

Segment Information

An analysis of the Group's revenue and results for the six months ended 30 September 2004 and 30 September 2003 respectively is as follows:

	Six months ended 30 September Provision of							
	Sales an 2004 HK\$'000 (unaudited)	ad distribution 2003 HK\$'000 (unaudited)		eering services es of spare parts 2003 HK'000 (unaudited)	Un 2004 <i>HK\$'000</i> (unaudited)	allocated 2003 HK'000 (unaudited)	2004 <i>HK\$'000</i> (unaudited)	Total 2003 HK'000 (unaudited)
Revenue from external customers Other revenue from external customers	67,261	57,203	16,307	33,615	325	716	83,568 325	90,818 716
Total	67,261	57,203	16,307	33,615	325	716	83,893	91,534
Segment results Unallocated operating income and expenses	(20)	(2,176)	2,637	4,325			2,617 (855)	2,149 374
Profit from operations Finance costs Taxation Minority interests							1,762 (464) (27) 81	2,523 (718) (190) 156
Profit attributable to shareholders							1,352	1,771
Depreciation for the period	542	289	245	254	575	558		
Segment assets Unallocated assets	122,076	88,936	33,414	46,361			155,490 14,635	135,297 45,076
Total assets							170,125	180,373
Segment liabilities Unallocated liabilities	57,317	63,172	8,494	8,900			65,811 13,925	72,072 13,193
Total liabilities							79,736	85,265
Capital expenditure incurred during the period	12	1,002	2,361	2	102	544		
Georgraphical segments				Si	. 1 . 1 20 5 4	· b		

				The Ur	ited States		
Hong Kong		The PRC		of America		Others	
2004	2003	2004	2003	2004	2003	2004	2003
HK\$'000	HK\$'000	HK\$'000	HK'000	HK\$'000	HK'000	HK\$'000	HK'000
(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
18,699	43,338	61,281	38,189	2,426	8,171	1,162	1,120
150,100	160,904	18,498	19,469			1,527	
1,807	1,548	668					
	2004 HK\$'000 (unaudited) 18,699 150,100	2004 2003 HKS'000 HKS'000 (unaudited) (unaudited) 18,699 43,338 150,100 160,904	2004 2003 2004 HK\$'000 HK\$'000 (unaudited) (unaudited) 18,699 43,338 61,281 150,100 160,904 18,498	2004 2003 2004 2003 HKS'000 HKS'000 HKS'000 HKS'000 (unaudited) (unaudited) (unaudited) (unaudited) 18,699 43,338 61,281 38,189 150,100 160,904 18,498 19,469	Horg Kong	2004 2003 2004 2003 2004 2003 HKS'000 IMS'000 IMS'0000 IMS'000 IMS'0000 IMS'0000	Horg Kong

Other revenue and other net inco

	30 September		
	2004	2003	
	HK\$'000	HK\$'000	
	(unaudited)	(unaudited)	
Other revenue:			
Gross rental income from investment properties	82	68	
Interest income	199	133	
Others	44	515	
	325	716	
Other net income:			
Exchange gain, net	1,634	1,278	
Gain/(loss) on disposal of fixed assets	4	(17)	
	1,638	1,261	

Profit from ordinary activities before taxation

The Group's profit from ordinary activities before taxation is arrived at after charging/(crediting):

(a) Finance costs

	Six months ended		
	30 September		
	2004	2003	
	HK\$'000	HK\$'000	
	(unaudited)	(unaudited	
terest on bank borrowings repayable within five years	297	533	
terest on bank borrowings repayable after five years	145	170	
nance charges on obligations under finance leases	22	15	
	464	718	

		(unaudited)	(unaudited)	
	Cost of inventories	63,908	67,492	
	Staff costs	· · · · · · · · · · · · · · · · · · ·		
	 Salaries and staff benefits 	8,851	10,688	
	- Retirement costs	385	358	
	Depreciation			
	assets held for use under finance leases	175	122	
	- owned fixed assets	1,187	979	
	Operating lease charges in respect of properties	439	540	
	Rentals receivable from investment properties			
	less direct outgoings of HK\$900			
	(six months ended 30 September 2003:HK\$2,000)	(81)	(66)	
	(six monais chaca so september 2003.11142,000)	(01)	(00)	
5.	Taxation			
		Six month	hs ended	
			30 September	
		2004	2003	
		HK\$'000	HK\$'000	
		(unaudited)	(unaudited)	
	Current taxation	(unautreu)	(unaudited)	
	Hong Kong profits tax		160	
	PRC income tax	27	30	
	FIXE IIICOIIIC tax			

2004 HK\$'000

2003 HK\$'000

No provision for Hong Kong profits tax was made for the current period as the tax losses brought forward from the previous year exceeds assessable profit for the period. PRC taxation is charged at the appropriate current rates of taxation ruling in the PRC.

Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders for the period of HK\$1,352,000 (2003: HK\$1,771,000) and the weighted average number of 280,000,000 ordinary shares (2003: 280,000,000 shares) in issue during the period.

No dilutive earnings per share was presented for the six months ended 30 September 2003 and 2004 as the exercise of share options would have an anti-dilutive effect.

INTERIM DIVIDEND

nend any interim dividend for the six months ended 30 September 2004 (2003: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 September 2004, the Group's turnover amounted to approximately HK\$83,568,000, representing a slightly decrease of approximately 8% compared to HK\$90,818,000 of the same period of last year. The net profit attributable to shareholders slightly decreased by 23.7% to HK\$1,352,000, compared to the same corresponding period in 2003.

Business Review
During the period, the Group continues to engage in the sale and distribution of railway maintenance equipment, airport ground support equipment, coaches and trucks and provision of engineering services.

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The substantial sales were mainly derived from the railway maintenance equipment division in which a few large projects were completed during the period under review. Sales of airport ground support equipment were decreased due to the unfavourable market sentiment as well as the fierce market competition. The decrease in the sales of provision of engineering services for buses was attributable to the warranty period for some buses had expired. These factors resulted in a slightly decrease in sales for the Group during the period under review. The strong Euro currency remained an unfavourble factor to the Group as the Group's purchases were mainly sourced from Europe. This resulted in slackening gross profit and the business performance of the Group. However, sales orders for the coming year are encouraging.

In order to reduce its overhead, the Group has recently purchased a warehouse for storing the stocks and terminated the lease for the existing warehouse accordingly. The distribution costs and administrative expenses were slightly decreased as the Group exercised effective cost control

measures.

Outlook
As the effect of strong Euro will be continued, the Group will keep on to reduce operating expenses in order to improve the results performance. Hong Kong's economy has been on the track of recovery and the continuous economic progress in the PRC market will further increase the demand for the transport related equipment. In order to broaden the income base of the Group, the Group has captured the new business opportunities but they are still in its initial stage. The Directors consider that the outlook of the Group continues to be promising.

Appreciation

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The directors and management would like to extend our gratitude and sincere appreciation to all staff for their contributions to the Group during the period under review.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2004, the Group employed 106 staff in Hong Kong and the PRC. Remuneration packages are based on individual performance, work profile and the prevailing market condition. The remuneration packages include basic salary, double pay and 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.

LIQUIDITY AND FINANCIAL RESOURCES

Liquidity
As at 30 September 2004, the Group had net assets of approximately HK\$90,389,000 (31 March 2004: HK\$89,037,000).

The Group generally finances its operations with internally generated resources and banking facilities provided by its bankers. As at 30 September 2004, the Group had cash and bank balances including pledged fixed deposits totalling HK\$68,774,000 (31 March 2004: HK\$70,441,000). The Group's cash and bank balances were mainly denominated in United States dollars, Euro and Hong Kong dollars. As at 30 September 2004, the Group's outstanding borrowings amounted to approximately HK\$22,302,000 (31 March 2004: HK\$24,161,000). Most of these bank borrowings were denominated in Hong Kong dollars, United States dollars and Euro bearing floating interest rates. As at 30 September 2004, the Group had a current ratio of 1.86, calculated on the basis of current assets over current liabilities (31 March 2004:1.62) and a gearing ratio (total borrowings to total assets) of 14 % (31 March 2004: 13%).

Exchange exposure and hedging
Same as last year, the Group mainly earns revenue in the currencies of United States dollars, Renminbi and Hong Kong dollars while the costs are substantially denominated in Euro. As a result, the Group is subject to foreign currency exposure. Any significant volatility and weakening of United States dollars against Euro could adversely affect the Group's business and the results of operations.

The Group mainly used foreign exchange contracts for hedging purposes. As at 30 September 2004, the Group had total outstanding forward foreign exchange contracts amounting to approximately HK\$1,235,000.

Six months ended

Charge on assets
As at 30 September 2004, the Group had pledged its land and buildings situated in Hong Kong with an aggregate net book value amounting to HK\$18,961,000 (31 March 2004: HK\$19,100,000) and bank deposits of HK\$10,887,000 (31 March 2004: HK\$10,885,000) to secure banking facilities granted to the Group.

USE OF PROCEEDS

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The Group raised approximately HK\$32 million, net of related expenses, from initial public offering of the Company on 28 March 2002. The unused net proceeds of approximately HK\$3 million and HK\$5 million will apply to a wholly foreign owned enterprise in the PRC to engage in inter alia, developing, design, manufacturing and sales of sorting and conveyor system, welding machines and railway maintenance equipment and installation of logistics related equipment; and to construct a processing plant in Zhuhai for assembling railway maintenance equipment like welding machine and grinding stone respectively.

The remaining net proceeds are currently placed on short term deposits with various banks in Hong Kong.

CONTINGENT LIABILITIES

At 30 September 2004, the Group has given guarantees in favour of third parties(representing customers and potential customers) for performing duties and quality assurance amounting to approximately HK\$546,000 (31 March 2004:HK\$830,000) and HK\$14,108,000 (31 March 2004:HK\$26,043,000) respectively.

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

idiaries purchased, redeemed or sold any of the Company's listed securities during the period under review.

The audit committee comprises three independent non-executive directors. The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including a review of the unaudited interim financial statements for the six months ended 30 September 2004.

COMPLIANCE WITH CODE OF BEST PRACTICE

The Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the accounting period covered by the interim results, except that the independent non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and reelection at the Company's annual general meeting in accordance with the Company's arised association.

PUBLICATION OF THE INTERIM RESULTS ON THE STOCK EXCHANGE'S WEBSITE

All the financial and other information required by Paragraph 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the website of The Stock Exchange in due course

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 directors 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, 16 December 2004