

(incorporated in Cayman Islands with limited liability)

ANNOUNCEMENT OF INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2002 (b) Other items

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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 referred to as the "Group") for the six months ended 30 September 2002 together with the comparative figures for the corresponding period in 2001. This interim financial report has not been audited, but has been reviewed by the Company's audit committee.

Condensed Consolidated Income Statement

		Six months ended 30 Septem				
	Notes	2002 (Consolidated) <i>HK\$'000</i> (unaudited)	2001 (Combined) <i>HK\$'000</i> (audited)			
Turnover Cost of sales/services	2	81,778 (61,262)	87,008 (59,631)			
Gross profit		20,516	27,377			
Other revenue Other net income Distribution costs Administrative expenses	3 3	555 701 (7,178) (11,136)	647 11 (5,712) (10,107)			
Profit from operations Finance costs	4	3,458 (775)	12,216 (752)			
Profit from ordinary activities before taxation Taxation	5	2,683 (232)	11,464 (1,037)			
Profit attributable to shareholders		2,451	10,427			
Dividend	6		5,000			
Earnings per share Basic	7	0.9 cent	5.3 cents			
Diluted	7	0.9 cent	N/A			

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Basis of Presentation and Accounting Policies The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 31 August 2001 under the Companies Law (Revised) of the Cayman Islands. Pursuant to a reorganisation scheme to rationalise the structure of the Group on 13 March 2002 (the "Reorganisation") in preparation of the public listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group. Further details of the Reorganisation are set out in the prospectus of the Company dated 19 March 2002 (the "Prospectus").

Prospectus J. The Reorganisation involved companies under common control, and the Company and its subsidiaries resulting from the Reorganisation have been regarded as a continuing group. Accordingly, the Reorganisation has been accounted for on the basis of merger accounting. The consolidated financial statements include the results of the Company and its subsidiaries as if the group structure resulting from the Reorganisation had been in existence throughout the period from 1 April 2001 to 30 September 2001 or since the dates of the incorporation of the respective group companies where this is a shorter period.

The comparative results for the six months ended 30 September 2001 have been prepared on combined basis as if the group structure resulting from the aforementioned group reorganisation executed on 13 March 2002 had been in existence since 1 April 2001. The unaudited condensed consolidated financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("HKSSAP") 25, Interim Financial Reporting, issued by the Hong Kong Society of Accountants. The accounting policies used in the preparation of these condensed interim financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2002 except that the Group has adopted the following new or revised HKSSAPs which are effective for accounting periods commencing on or after 1 January 2002.

HKSSAP1 (revised) HKSSAP15 (revised) HKSSAP34 Presentation of Financial Statements Cash Flow Statements Employee Benefits

The adoption of the above HKSSAPs has no material effect on prior year financial statements.

These interim financial statements should be read in conjunction with the 2002 annual financial statements.

Segment Information An analysis of the Group's revenue and results for the six months ended 30 September 2002 and 30 September 2001 respectively is as followed as followed as a followed as a set of the six months and a set of the six months are set of the six months and the set of the six months are set of the six months and the set of the six months are set of the six months are set of the six months and the set of the six months are set of the six months

Business segments			Six months ende			
	Sales and dis 2002 (Consolidated) <i>HK\$'000</i>	2001 (Combined) HK\$'000	and sales of s 2002 (Consolidated) <i>HK\$'000</i>	2001 (Combined) HK\$'000	2002 (Consolidated) HK\$'000	2001 (Combined) <i>HK\$'000</i>
	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)
Revenue from customers Unallocated other revenue	58,494	68,586	23,284	18,422	81,778 555	87,008 647
Total	58,494	68,586	23,284	18,422	82,333	87,655
Segment results						
Contribution from operations Unallocated operating income and expenses	2,812	10,875	1,211	2,927	4,023 (565)	13,802 (1,586)
Profit from operations Finance cost Taxation					3,458 (775) (232)	12,216 (752) (1,037)
Profit attributable to shareholders					2,451	10,427
Depreciation for the period	215	199	228	67		
Segment assets Unallocated assets	91,993	85,424	35,013	23,988	127,006 53,756	109,412 34,157
Total assets					180,762	143,569
Segment liabilities Unallocated liabilities	66,043	60,403	13,091	8,274	79,134 11,186	68,677 20,866
Total liabilities					90,320	89,543
Capital expenditure incurred during the period	337	268	107	94		
Geographical segments						

	Hong	Kong	S The l		x months ended 30 September RC The United States of America			Others	
	2002 (Consolidated) <i>HK\$'000</i> (unaudited)	2001 (Combined) <i>HK\$'000</i> (audited)	2002 (Consolidated) <i>HK\$'000</i> (unaudited)	2001 (Combined) <i>HK\$'000</i> (audited)	2002 (Consolidated) <i>HK\$'000</i> (unaudited)	2001 (Combined) <i>HK\$'000</i> (audited)	2002 (Consolidated) <i>HK\$'000</i> (unaudited)	2001 (Combined) <i>HK\$'000</i> (audited)	
Revenue from customers Profit from operations Segment assets	36,703 668 127,006	28,110 2,588 109,412	40,925 3,185 -	46,577 9,527 –	3,749 (272)	12,968 101 -	956 (123)	-	

Capital expenditure incurred during the period

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. Other revenue and other net income	Six months ende	d 20 Santamban
	2002	2001
	(Consolidated)	(Combined)
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Other revenue:		
Gross rental income from investment properties	66	155
Interest income	273	318
Others	216	174
	555	647
Other net income:		
Exchange gain, net	720	-
(Loss)/gain on sales of fixed assets	(19)	11
	701	11

Profit from ordinary activities before taxation

Interest on bank borrowings repayable within five years Interest on bank borrowings repayable after five years Finance charges on obligations under finance leases

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

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Six months ende	d 30 September
2002	200
(Consolidated)	(Combined
HK\$'000	HK\$'00
(unaudited)	(audited
638	50
128	23
9	1
775	75

	2002 (Consolidated) <i>HKS'000</i> (unaudited)	2001 (Combined) HK\$'000 (audited)
Cost of inventories	54,132	53,477
Staff costs – Salaries and staff benefits – Retirement costs Depreciation	11,360 378	11,234 394
– assets held for use under finance leases – owned fixed assets Operating lease charges in respect of properties Rentals receivable from investment properties less outgoings of HK\$2,000	55 830 1,005	101 716 1,031
(six months ended 30 September 2001:HK\$31,000)	(64)	(124)
Taxation	Six monthi 30 Septer (Consolidated) HK\$'000	

Hong Kong Profits Tax has been provided at the rate of 16%(2001:16%) on the estimated assessable profit during the period. Ove appropriate current rates of taxation ruling in the relevant countries. is charged at the

No provision for deferred taxation has been made as the effect of all timing difference is immaterial.

Dividends

The directors do not recommend any interim dividend for the six months ended 30 September 2002 (six months ended 30 September 2001: HK\$5,000,000) Earnings per share

Lin things per share The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the period of HK\$2,451,000 (six months ended 30 September 2001: HK\$10,427,000) and on the weighted average of 280,000,000 shares (six months ended 30 September 2001: 196,000,000) in issue during the period.

The calculation of diluted earnings per share for the six months ended 30 September 2002 is based on the net profit from ordinary activities attributable to shareholders for the period of HK\$2,451,000 and on the weighted average of 280,000,000 shares in issue during the period, as used in the basic earnings per share calculation; and the weighted average of 272,000 ordinary shares assumed to have been issued at no consideration on the deemed exercise of the share options outstanding during the period.

No dilutive earnings per share was presented for the six months ended 30 September 2001 as there was no potential dilutive ordinary shares in existence for that MANAGEMENT DISCUSSION AND ANALYSIS

Results

Provision for Hong Kong Profits Tax Overseas taxation

For the six months ended 30 September 2002, the Group's turnover was HK\$81,778,000 representing a moderate decrease of 6% over the corresponding period of last year. The Group's profit attributable to shareholders for the period was HK\$2,451,000 representing a decrease of 76.5% as compared to the last corresponding period. The decrease in turnover and profit were primarily attributable to the weakening in the Hong Kong economy and revenue contribution from certain large projects cannot be recognised as they were still in progress during the period α . under review

Business Review

During the period under review, the turnover of the Group's business in railway maintenance equipment and airport ground support equipment amounted to HKS39,493,000, a decrease of 15% when compared with the same period of last year. This was mainly due to the situation that revenue generated from the major projects for railway maintenance equipment was not recognised in the first half of the year. However, the Group has successfully obtained several projects in the first half of the year. It is expected that these projects will be completed in the second Group has suc half of the yea

For the first half of the financial year, the slowdown of the Hong Kong economy had affected the business areas in which the Group operates. The profit margins for the sales of trucks and repair services were decreased as more discounts were offered to customers in order to stimulate sales. As a result, the sales of trucks and repair services were increased by 25% over the corresponding period of last year.

The limited production facilities of the subcontractors had led to the slow production process. As a result, the sales of yachts and related equipment amounted to approximately HK\$7,776,000 down about 40% when compared with the last corresponding period.

On the other hand, in order to explore the potential business in logistics equipment and assembling and integrating railway maintenance equipment and related systems, the Group has established a wholly-owned company in Zhuhai in August 2002. Prospects

The continuous economic progress in the PRC market will further stimulate the growth of the Group's sales in the PRC. During the period under

review, the Group has concluded some sizeable projects with contract sum over HK\$50 million. Revenue from these projects is expected to be recognised in the second half of the year. The Group will continue to focus on its core business and explore the new business opportunities in the future.

Employees and Remuneration Policy

As at 30 September 2002, the Group has employed 134 staff. The Group's remuneration packages include basic salary, double pay, commission, share option scheme, insurance and medical benefits. Staff remuneration packages are normally reviewed annually. As at the date hereof, a total of 10,000,000 share options are granted to selected eligible executives. The share options are exercisable from 16 September 2002 to 15 September 2005. There are no share options exercised at the date of this report.

LIQUIDITY AND FINANCIAL RESOURCES

Liquidity The Group finances its operations from internally generated funds, banking facilities and proceeds from the initial public offer. As at 30 September 2002, the Group had total assets of approximately HK\$180,762,000 which were financed by shareholders' equity of approximately HK\$90,442,000 and liabilities of approximately HK\$90,320,000.

The Group had cash and habmes of approximately THS 0,220,000. The Group had cash and bank balances including pledged fixed deposits totalling HK\$40,098,000 as at 30 September 2002 (31 March 2002: HK\$78,482,000). The total bank borrowings outstanding was approximately of HK\$25,505,000 (31 March 2002: HK\$34,886,000). The Group's cash, bank balances and bank borrowings were mainly denominated in Hong Kong dollars, US dollars and Euro. The annual interest rates of such borrowings for the period under review ranged from prime rate to prime rate to prime rate to a first the first of the Group was 1.9 (31 March 2002:1.7). The gearing ratio (total borrowings over total assets) was 15% (31 March 2002:17%).

Exchange exposure and hedging

The business operations of the Group are mainly transacted in US dollars, Euro, Renminbi, Janpanese Yen and Hong Kong dollars. The Group is subject to foreign currency exposure in the rates of exchange between the currencies in which its income is denominated and those in which the Group incurs costs.

The Group closely monitors its foreign exposure and hedges such exposure arising from major contracts entered into by the Group denominated in foreign currencies (other than those denominated in US dollars, the exchange rate which has pegged with Hong Kong dollars) through the use of short term foreign contracts from time to time.

Pledges of assets

As at 30 September 2002, the Group's leasehold property with an aggregate net book value amounting to HK\$8,811,000 (31 March 2002: HK\$8,900,000) and bank fixed deposits of HK\$17,736,000 (31 March 2002: HK\$15,655,000) were pledged to banks to secure banking facilities granted to the Gro

CONTINGENT LIABILITIES

At 30 September 2002, 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\$4,228,000 (31 March 2002:HK\$2,196,000) and HK\$27,909,000 (31 March 2002:HK\$14,292,000) respectively.

POST BALANCE SHEET EVENT

POST DALARCE SHEET EVENT On 6 November 2002, the Company's wholly-owned subsidiary in the PRC entered into an agreement to purchase a piece of land in the PRC, Zhuhai from an independent party for its operational use at a consideration of approximately RMB1,072,000. PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S LISTED SHARES

The Company's shares were listed on the Main Board of the Stock Exchange on 28 March 2002. Neither the company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period under review.

AUDIT COMMITTEE

The Company established an audit committee on 13 March 2002 with written terms of reference in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules. The audit committee comprises two independent non-executive directors. They will be responsible for dealing with audit related matters which include reviewing and supervising the financial reporting process and internal control to protect the interests of the shareholders.

COMPLIANCE WITH CODE OF BEST PRACTICE

The Company has complied with the Code of Best Fractice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") since the date of listing of the Company's shares, 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 re-election at the Company's annual general meeting in accordance with the Company's articles of association.

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

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.

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

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Hong Kong, 16 December 2002