YARDWAY GROUP LIMITED
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 2005

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 2005 together with the comparative figures for the corresponding period in 2004. The interim results for the six months ended 30 September 2005 have been reviewed by the Company's audit committee.

CONSOLIDATED INCOME STATEMENT
(Expressed in Hong Kong dollars)

	Notes	Six months ended 30 September 2005 $'000 (unaudited)	2004 $'000 (unaudited)
Turnover	3	**69,155**	83,568
Cost of sales/services		**(54,133)**	(68,938)
Gross profit		**15,022**	14,630
Other revenue	4	**2,207**	325
Other net (loss)/income	4	**(732)**	1,638
Distribution costs		**(7,056)**	(6,702)
Administrative expenses		**(8,744)**	(8,129)
Valuation gains on investment property		**2,000**	–
Profit from operations		**2,697**	1,762
Finance costs	5(a)	**(677)**	(464)
Profit before taxation	5	**2,020**	1,298
Income tax	6	**(5)**	(27)
Profit after taxation		**2,015**	1,271
Attributable to:			
Equity holders of the parent		**1,948**	1,352
Minority interests		**67**	(81)
Profit after taxation		**2,015**	1,271
Basic earnings per share	7	**0.70 cent**	0.48 cent

CONSOLIDATED BALANCE SHEET
At 30 September 2005
(Expressed in Hong Kong dollars)

	Notes	At 30 September 2005 $'000 (unaudited)	At 31 March 2005 $'000 (audited) (restated)
Non-current assets			
Fixed assets			
– Investment properties		**21,500**	21,272
– Other property, plant and equipment		**26,227**	27,242
		47,727	48,514
Lease prepayment		**683**	690
Construction in progress		**79**	79
Finance lease receivable		**40**	98
Deferred taxation		**1,249**	1,312
		49,778	50,693
Current assets			
Trading securities-listed in Hong Kong		**318**	364
Inventories		**15,364**	9,684
Accounts and bills receivable	9	**38,902**	36,114
Prepayments, deposits and other receivables		**22,022**	12,203
Amount due from a related company		**220**	181
Current taxation recoverable		**1,846**	1,846
Finance lease receivable		**114**	111
Pledged bank deposits		**5,973**	6,143
Cash and cash equivalents		**64,050**	69,990
		148,809	136,636
Current liabilities			
Bank loans and overdraft		**28,800**	23,302
Obligations under finance leases		**353**	254
Accounts and bills payable	10	**44,334**	41,534
Deposits, other payables and accrued charges		**14,508**	9,575
Provision for warranties		**405**	143
Current taxation payable		**57**	134
		88,457	74,942
Net current assets		**60,352**	61,694
Total assets less current liabilities		**110,130**	112,387
Non-current liabilities			
Bank loans		**8,099**	9,342
Obligations under finance leases		**477**	354
Deferred taxation		**17**	89
		8,593	9,785
NET ASSETS		**101,537**	102,602
CAPITAL AND RESERVES			
Share capital		**28,000**	28,000
Reserves		**72,788**	73,920
Total equity attributable to equity holders of the parent		**100,788**	101,920
Minority interests		**749**	682
TOTAL EQUITY		**101,537**	102,602

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT
(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 on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), 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 19 December 2005.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2005 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2006 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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 2005 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

This condensed consolidated interim financial statements has not been audited, but has been reviewed by the Company's audit committee.

The financial information relating to the financial year ended 31 March 2005 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 2005 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 20 July 2005.

2. Changes in Accounting Policies

The HKICPA has issued a number of new and revised HKFRSs, which term collectively includes HKASs and Interpretations, that are effective for accounting periods beginning on or after 1 January 2005 and adopted by the Group with effect from 1 April 2005. The Board has determined the accounting policies expected to be adopted in the preparation of the Group's annual financial statements for the year ending 31 March 2006, on the basis of HKFRSs currently in issue.

The HKFRSs that will be effective or are available for voluntary early adoption in the annual financial statements for the year ending 31 March 2006 may be affected by the issue of additional interpretation or other changes announced by the HKICPA subsequent to the date of issuance of this interim report. Therefore the policies that will be applied in the Group's financial statements for that period cannot be determined with certainty at the date of issuance of this interim financial report.

The following sets out further information on the changes in accounting policies for the annual accounting period beginning on 1 April 2005 which have been reflected in the interim financial report.

(a) *HKAS 1, Presentation of financial statements*

The adoption of HKAS 1 has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests has been changed. Minority interests at the balance sheet date are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the parent, and minority interests in the results of the Group for the period are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the period between the minority interests and the equity holders of the parent. The change in presentation has been applied retrospectively.

(b) *HKAS 17, Leases*

The adoption of HKAS 17 has resulted in a change in accounting policy relating to leasehold land. Leasehold land and buildings were previously stated at revaluation model. In accordance with HKAS 17, a lease of land and building should be split into a lease of land and a lease of building according to their fair value at inception. A lease of land is an operating lease and a lease of building is a finance lease. Pursuant to these requirements, the land premium paid for distinguishable leasehold land is accounted for as an operating lease and amortised over its unexpired lease term, whereas undistinguishable leasehold land and building is stated collectively at valuation less accumulated depreciation.

The adoption of this new policy does not have a significant impact on the Group's result for the period as the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.

(c) *HKAS 32, Financial instruments: Disclosure and presentation and HKAS 39, Financial instruments: Recognition and measurement*

In the current period, the Group has applied HKAS 32 and HKAS 39. HKAS 32 requires retrospective application. HKAS 39, which is effective for accounting periods beginning on or after 1 January 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

(i) Classification and measurement of financial assets and financial liabilities

In prior years, the investments of the Group in equity securities were classified as trading securities and were stated in the balance sheet at fair value. Changes in fair value are recognised in the income statement as they arise. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivable", or "held-to-maturity financial assets". The classification depends on the purpose for which the assets are acquired. The Group's listed equity investments are classified as financial assets at fair value through profit or loss.

In prior years, the notional amounts of derivative instruments were previously recorded off balance sheet. No gain or loss was recognised until the transaction occurred.

With effect from 1 January 2005, and in accordance with HKAS 39, all derivative instruments (i.e. forward currency contracts) entered into by the Group are stated at fair value. Changes in the fair value of derivative instruments are recognised in the consolidated income statement as the hedging relationship does not qualify for hedge accounting under HKAS 39.

This change was adopted by way of an adjustment to the opening balance of the retained earnings as at 1 April 2005 by a decrease of $326,000. As a result of this new policy, the Group's profit before taxation for the six months ended 30 September 2005 has decreased by $11,000.

(ii) Recognition and derecognition of financial instruments

HKAS 39 provides more rigorous criteria for the derecognition of financial assets than the criteria applied in previous periods. Under HKAS 39, a financial asset is derecognised, when and only when, either the contractual rights to the asset's cash flows expire, or the asset is transferred and the transfer qualifies for derecognition in accordance with HKAS 39.

Upon the adoption of HKAS 39, derecognition of bills receivable discounted with recourse is not allowed. As a result of this new policy, the Group's current assets and current liabilities as at 30 September 2005 increased by $11,102,000.

(d) *HKAS 40, Investment property and HK(SIC) Interpretation 21 ("HKAS Int 21"), Income taxes – Recovery of revalued non-depreciable assets*

(i) Timing of recognition of movements in fair value in the income statement

In prior periods, movements in fair values of the Group's investment properties were recognised directly in the investment properties revaluation reserve except when, on a portfolio basis, the reserve was insufficient to cover a deficit on the portfolio, or when a deficit previously recognised in the income statement had reversed, or when an individual investment property was disposed of. In these limited circumstances movements in the fair value were recognised in the income statement.

Upon the adoption of HKAS 40, all changes in the fair values of investment properties are recognised directly in the income statement in accordance with the fair value model in HKAS 40. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

The Group has taken of the transitional provisions of HKAS 40 to adjust the effect of adopting the standard to the opening balance of retained earnings rather than restating the comparative amounts to reflect the changes retrospectively for the earlier period presented in the condensed consolidated financial statements.

The adoption of HKAS 40 resulted in an increase in opening retained profits at 1 April 2005 of $1,881,000 and a decrease in opening investment property revaluation reserve at 1 April 2005 of $1,881,000. The fair value gain during the period amounted to $2,000,000 and was credited to the income statement.

(ii) Measurement of deferred tax on movements in fair value

In prior years the Group was required to apply the tax rate that would be applicable to the sale of investment properties to determine whether any amounts of deferred tax should be recognisd on the revaluation of investment properties. As there would have been no tax payable on the disposal of the Group's investment properties, no deferred tax was provided in prior years.

As from 1 January 2005, in accordance with HKAS Int 21, the Group recognises deferred tax on movements in the value of an investment property using tax rates that are applicable to the property's use, if the Group has no intention to sell it and the property would have been depreciable had the Group not adopted the fair value model.

The change in accounting policy has been adopted retrospectively. There was a decrease of $329,000 in retained earnings as at 31 March 2005 and an increase in deferred tax liabilities by the same amount.

As a result of the adoption of this new policy, the Group's taxation expense for the six months ended 30 September 2005 has increased by $350,000. There was no adjustment to the six months ended 30 September 2004 as there was no revaluation surplus at that time.

(e) *HKFRS 2, Share-based payment*

The adoption of HKFRS 2 has resulted a change in accounting policy for the share options granted to directors and employees by the company. The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of all these share options until they were exercised. The Group has taken advantage of the transitional provisions of HKFRS 2 to share options that were granted on or before 7 November 2002.

This change in accounting policy had no effect on the interim financial report as the Group's share options were granted on 9 September 2002.

(f) *HKFRS 3, Business combinations*

In prior periods, the Group's positive goodwill which arose prior to 1 January 2001 was taken directly to reserves at the time it arose, and was not recognised in the income statement until disposal or impairment of the acquired business.

In accordance with the transitional arrangements under HKFRS 3, the Group's goodwill which had previously been taken directly to reserves (i.e. goodwill which arose before 1 January 2001) will not be recognised in the income statement on disposal or impairment of the acquired business, or under any other circumstances. The change in accounting policy relating to goodwill had no effect on the interim financial report.

3. Segment reporting

An analysis of the Group's revenue and results for the six months ended 30 September 2004 and 30 September 2005 respectively is as follows:

Business segments

	Six months ended 30 September							
	Sales and distribution		Provision of engineering services and sales of spare parts		Unallocated		Total	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
Revenue from external customers	**51,386**	67,261	**17,769**	16,307	**–**	–	**69,155**	83,568
Other revenue from external customers	**–**	–	**–**	–	**2,207**	325	**2,207**	325
Total	**51,386**	67,261	**17,769**	16,307	**2,207**	325	**71,362**	83,893
Segment results	**2,614**	(20)	**302**	2,637			**2,916**	2,617
Unallocated operating income and expenses							**(219)**	(855)
Profit from operations							**2,697**	1,762
Depreciation for the period	**493**	542	**121**	245	**1,028**	575		
Amortisation of lease prepayment	**–**	–	**–**	–	**7**	–		
Valuation gains on investment property	**–**	–	**–**	–	**(2,000)**	–		
Segment assets	**147,492**	122,076	**19,998**	33,414			**167,490**	155,490
Unallocated assets							**31,097**	14,635
Total assets							**198,587**	170,125
Segment liabilities	**80,453**	57,317	**4,399**	8,494			**84,852**	65,811
Unallocated liabilities							**12,198**	13,925
Total liabilities							**97,050**	79,736
Capital expenditure incurred during the period	**37**	12	**43**	2,361	**1,305**	102		

Geographical segments

	Six months ended 30 September							
	Hong Kong		The PRC		The United States of America		Others	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
Revenue from external customers	**19,941**	18,699	**46,455**	61,281	**2,634**	2,426	**125**	1,162
Segment assets	**170,002**	150,100	**28,350**	18,498	**–**	–	**235**	1,527
Capital expenditure incurred during the period	**1,303**	1,807	**82**	668	**–**	–	**–**	–

4. Other revenue and other net (loss)/income

	Six months ended 30 September	
	2005	2004
	$'000	*$'000*
	(unaudited)	*(unaudited)*
Other revenue:		
Gross rental income from investment properties	**866**	82
Interest income	**503**	199
Royalty income	**335**	–
Recovery of bad debt provision	**423**	–
Others	**80**	44
	2,207	325
Other net (loss)/income:		
Exchange (loss)/gain, net	**(1,136)**	1,634
Gain on disposal of investment property	**380**	–
Gain on disposal of fixed assets	**8**	4
Net realised and unrealised gain on trading securities carried at fair value	**16**	–
	(732)	1,638

5. Profit before taxation

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

	Six months ended 30 September	
	2005	2004
	$'000	*$'000*
	(unaudited)	*(unaudited)*
(a) Finance costs		
Interest on bank borrowings repayable within five years	**451**	297
Interest on bank borrowings repayable after five years	**198**	145
Finance charges on obligations under finance leases	**28**	22
	677	464
(b) Staff costs:		
Contribution to defined contribution plans	**451**	385
Salaries, wages and other benefits (including directors' remuneration)	**9,467**	10,092
	9,918	10,477
(c) Other items:		
Cost of inventories	**50,244**	63,908
Depreciation		
– owned fixed assets	**1,503**	1,185
– assets held for use under finance leases	**139**	175
Amortisation of lease prepayment	**7**	–
Operating lease charges in respect of properties	**623**	439
Rentals receivable from investment properties less direct outgoings of $108,000 (six months ended 30 September 2004:$900)	**(757)**	(81)

6. Taxation

	Six months ended 30 September	
	2005	2004
	$'000	*$'000*
	(unaudited)	*(unaudited)*
Current taxation – Provision for Hong Kong profits tax		
Tax for the period	**–**	–
Over-provision in previous period	**(30)**	–
	(30)	–
Current tax – PRC	**43**	27
Deferred taxation	**(8)**	–
	5	27

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

7. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the parent of $1,948,000 (six months ended 30 September 2004: $1,352,000) and the weighted average number of 280,000,000 ordinary shares (six months ended 30 September 2004: 280,000,000 shares) in issue during the period.

No dilutive earnings per share was presented as all the potential ordinary shares are anti-dilutive for the six months ended 30 September 2004 and 2005

8. Interim dividend

The directors do not recommend any interim dividend for the six months ended 30 September 2005 (2004: Nil).

9. Accounts and bills receivable

Debts are due within 30 to 90 days from the date of billing. The ageing analysis of accounts receivable is as follows:

	30 September 2005	31 March 2005
	$'000	*$'000*
	(unaudited)	*(audited)*
Accounts receivable		
– current	**14,007**	16,703
– 1 to 3 months overdue	**6,089**	7,017
– more than 3 months overdue but less than 12 months overdue	**2,961**	2,637
– more than 12 months overdue	**1,004**	1,459
	24,061	27,816
Bills receivable	**11,102**	640
Retentions receivable	**3,739**	7,658
	38,902	36,114

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

Included in bills receivable were bills discounted to the bank with recourse totalling $11,102,000 as at 30 September 2005 (31 March 2005: Nil).

10. Accounts and bills payable

Ageing analysis of accounts payable is as follows:

	30 September 2005	31 March 2005
	$'000	*$'000*
	(unaudited)	*(audited)*
Accounts payable		
– due within 1 month or on demand	**20,688**	29,561
– due after 1 month but within 3 months	**6,963**	2,683
– due after 3 months but within 6 months	**6,970**	3,208
– due after 6 months but within 1 year	**6,602**	5,080
	41,223	40,532
Bills payable	**3,111**	1,002
	44,334	41,534

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the six months ended 30 September 2005, the Group reported a turnover of approximately HK$69,155,000, representing a decrease of approximately 17% from approximately HK$83,568,000 as compared with the corresponding period of last year. The profit attributable to equity holders of the parent was approximately HK$1,948,000, representing an increase of 44% over the same period last year.

Business Review

During the period under review, the Group's turnover was decreased by 17% as compared with the corresponding figure in 2004. The contribution of turnover was mainly from the projects of railway maintenance equipment. As the exact time of delivery from the suppliers to the customers was not fully controlled by the Group, some sizeable projects were not recorded in the period under review. However, these projects is expected to be delivered in the second half of the year. In addition, the decline of the engineering services income was mainly due to the expiration of most of the warranty services for buses. As a result, the turnover from sales and distribution activities and provision of engineering services and sales of spare parts was decreased.

Distribution expenses for the period under review was approximately HK$7,056,000, representing a slightly increase of approximately 5% from that of the corresponding period. The increase in distribution expenses was mainly due to the increase of operation expenses for the PRC during the period. The Group incurred administration expenses of approximately HK$8,744,000, representing a modest increase of approximately 8% as compared to the last corresponding period. Such increase was mainly attributable to the increase in depreciation and rental. The increase in finance costs was resulted in continuous rise in interest rate.

Prospects

The management of the Group considers that the business environment in the second half of the year will be still challenging as the interest rate increase and the concern of large-scale outbreak of avian influenza. Nevertheless, the Board is positive about the outlook of the Group based on the economic indicator showing the strength of the economy in Hong Kong. The Group will take advantage of Hong Kong's strengths which offer an ideal geographical location to do business. The Group will also cooperate with its overseas manufacturer to manufacture, assemble and integrate railway welding, repair and maintenance equipment in order to reduce its cost. The Group will continue to consolidate its market position and sales network in the PRC.

Appreciation

The Directors and management would like to express their 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 2005, the Group employed 104 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

As at 30 September 2005, the Group had total assets of approximately HK$198,587,000 (31 March 2005 (restated): HK$187,329,000) which were financed by shareholders' equity of approximately HK$100,788,000 (31 March 2005 (restated): HK$101,920,000) and liabilities of approximately HK$97,799,000 (31 March 2005 (restated): HK$85,409,000). As at the same date, the Group had current assets and current liabilities of approximately HK$148,809,000 and HK$88,457,000 respectively (31 March 2005: HK$136,636,000 and HK$74,942,000 respectively).

The Group generally finances its operations with internally generated resources and banking facilities provided by its bankers. As at 30 September 2005, the Group had cash and bank balances including pledged fixed deposits totalling HK$70,023,000 (31 March 2005: HK$76,133,000) of which denominated in Euro, United States dollars, Hong Kong dollars and other currencies are 41%, 34%, 11% and 14% respectively. As at 30 September 2005, the Group had a current ratio of 1.68, calculated on the basis of current assets over current liabilities (31 March 2005:1.82) and a gearing ratio (total borrowings to total assets) of 19% (31 March 2005: 18%).

As at 30 September 2005, the Group's outstanding borrowings amounted to approximately HK$36,899,000 (31 March 2005: HK$32,644,000). The indebtedness of the Group mainly comprises of trust receipt loans, invoice financing loans and mortgage loans which are largely denominated in Hong Kong dollars, United States dollars and Euro.

Exchange exposure and hedging

The Group is subject to foreign currency exposure as its purchases are mainly denominated in Euro while the income which it derives from the sales are mainly denominated in United States dollars, Renminbi and Hong Kong dollars. Accordingly, any movements in the rate of exchange between the foreign currencies in which the Group's purchases are denominated and those in which its income is denominated may have an impact on the Group's business and the results of operations.

Notwithstanding that the Group used foreign exchange contracts for hedging purposes. As at 30 September 2005, the Group had total outstanding forward foreign exchange contracts amounting to approximately HK$2,331,000.

Pledge of assets

As at 30 September 2005, the Group's leasehold land and buildings and investment properties situated in Hong Kong with an aggregate net book value amounting to HK$27,856,000 (31 March 2005: HK$28,100,000) and bank deposits of HK$5,973,000 (31 March 2005: HK$6,143,000) were pledged with the banks to secure banking facilities granted to the Group.

Contingent liabilities

At 30 September 2005, 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$1,697,000 (31 March 2005: HK$2,435,000) and HK$15,129,000 (31 March 2005: HK$13,559,000) 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.

CORPORATE GOVERNANCE

In the opinion of the Board, the Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2005, except for the following deviations:

Code Provision A2.1

Code A2.1 specifies that the roles of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and CEO should be clearly established and set out in writing.

The Company does not presently have any officer with the title CEO. At present, Mr. Fong Kit Wah, Alan, being the Chairman and Managing Director of the Company, is responsible for the strategic planning and corporate policy and running the business of the Group as well as the duties of Chairman. The Board considered that, due to the nature and specialised of the Group's business, Mr. Fong is the most appropriate chief executive because he has considerable knowledge and experience in the trading and manufacturing of transport related equipment industry. The Board believes that vesting the roles of the chairman and CEO in the same person provides the Group consistent and sustainable development of the Group. However, the Board will review the current structure from time to time. If there is candidate with suitable knowledge, experience and leadership which can be identified within or outside the Group, the Company may make the necessary amendments.

Code Provision A4.1

Code A4.1 specifies that non-executive directors should be appointed for a specific term, subject to re-election.

None of the existing non-executive directors (including independent non-executive directors) of the Company is appointed for a specific term. This constitutes a deviation from code provision A4.1 of the Code. However, they are subject to the retirement by rotation under article 108(A) of the Company's articles of association. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

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. Upon enquiry by the Company, all Directors of the Company have confirmed that they have complied with the required standards set out in Model Code throughout the six months ended 30 September 2005.

AUDIT COMMITTEE

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 2005.

REMUNERATION COMMITTEE

The Company established a remuneration committee on 20 July 2005 in accordance with the requirement of the Code. The remuneration committee comprises three independent non-executive directors, namely Ms. Fung Siu Wan, Stella, Mr. Wong Man Chung, Francis, Mr. Chan Ting Kwong and one executive director, Ms. Cheung Miu Sin.

PUBLICATION OF THE INTERIM RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "SEHK")

The Company's interim report which sets out all the information required to be disclosed under Appendix 16 of the Listing Rules will be published on the website of the SEHK 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 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, 19 December 2005