

啟帆集團有限公司

(incorporated in Cayman Islands with limited liability)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2003

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 2003 together with the comparative figures for the corresponding period in 2002. This interim financial report has not been audited, but has been reviewed by the Company's audit committee.

In June 1		Six months ended 3	Six months ended 30 September		
	Notes	2003 HK\$'000 unaudited	2002 HK\$'000 unaudited		
Turnover Cost of sales/services	2	90,818 (73,726)	81,778 (61,262)		
Gross profit Other revenue Other net income Distribution costs Administrative expenses	3 3	17,092 716 1,261 (7,660) (8,886)	20,516 555 701 (7,178) (11,136)		
Profit from operations Finance costs		2,523 (718)	3,458 (775)		
Profit from ordinary activities before taxation Taxation	<i>4 5</i>	1,805 (190)	2,683 (232)		
Profit from ordinary activities after taxation Minority interests		1,615 156	2,451		
Profit attributable to shareholders		1,771	2,451		
Dividends	6				
Earnings per share Basic	7	0.6 cent	0.9 cent		
Diluted	7	N/A	0.9 cent		

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. Its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 28 March 2002.

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 and with Hong Kong Statement of Standard Accounting Practice ("HKSSAP") 25, Interim Financial Reporting, issued by the Hong Kong Society of Accountants ("HKSA") 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 2003 except that the Group has adopted the HKSSAP 12 (revised). Income Taxes, issued by the HKSA, which is effective for accounting periods commendor on or after 1 January 2003.

In prior years, deferred taxation was provided for at the current taxation rate in respect of significant timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. Under HKSAAP 12 (revised), deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts, based on the tax rates enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

The adoption of the HKSSAP 12 (revised) has no material effect on the Group's results and financial positions for the current and prior year financial states These interim financial statements should be read in conjunction with the 2003 annual financial sta

Segment Information

An analysis of the Group's revenue and results for the six months ended 30 September 2003 and 30 September 2002 respectively is as follows:

	Provision of							
	Sales and distribution 2003 2002		engineering services and sales of spare parts 2003 2002		Unallocated 2003 2002		Total 2003 2002	
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Revenue from customers Unallocated other revenue	57,203	58,494	33,615	23,284	716	555	90,818 716	81,778 555
Total	57,203	58,494	33,615	23,284	716	555	91,534	82,333
Segment results								
Contribution from operations Unallocated operating income and	(2,176)	2,812	4,325	1,211			2,149	4,023
Expenses	-	-	-	-			374	(565)
Profit from operations Finance cost Taxation Minority interests							2,523 (718) (190) 156	3,458 (775) (232)
Profit attributable to shareholders							1,771	2,451
Depreciation for the period	289	215	254	228	558	442		
Segment assets Unallocated assets	88,936	91,993	46,361	35,013			135,297 45,076	127,006 53,756
Total assets							180,373	180,762
Segment liabilities Unallocated liabilities	63,172	66,043	8,900	13,091			72,072 13,193	79,134 11,186
Total liabilities							85,265	90,320
Capital expenditure incurred during the period	1,002	337	2	107	544	884		

The Group's business is managed on a worldwide basis, but participates in three principal economic environments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

		Six months ended 30 September The United States							
	Ho	Hong Kong		The PRC		of America		Others	
	2003 <i>HK</i> \$'000 (unaudited)	2002 HK\$'000 (unaudited)	2003 HK\$'000 (unaudited)	2002 HK\$'000 (unaudited)	2003 HK\$'000 (unaudited)	2002 HK\$'000 (unaudited)	2003 HK\$'000 (unaudited)	2002 HK\$'000 (unaudited)	
Revenue from customers Profit from operations Segment assets Capital expenditure	43,338 8,416 129,732	36,703 668 127,006	38,189 (6,141) 5,565	40,925 3,185	8,171 (850) -	3,749 (272)	1,120 1,098 -	956 (123) -	
incurred during the period	1,548	444		884					

Other revenue and other net income

	2003	2002	
	HK\$'000	HK\$'000	
	(unaudited)	(unaudited)	
Other revenue:			
Gross rental income from investment properties	68	66	
Interest income	133	273	
Royalty income	418	108	
Others	97	108	
	716	555	
Other net income:			
Exchange gain, net	1,278	720	
Loss on disposal of fixed assets	(17)	(19)	
	1,261	701	

before taxation is arrived at after charging/(creditir

Finance co

OSTS	Six months ended 30 September	
	2003	2002
	HK\$'000 (unaudited)	HK\$'000 (unaudited)
bank borrowings repayable within five years bank borrowings repayable after five years	533 170	638 128
arges on obligations under finance leases	15	9
	718	775

(b)	Other items		
		2003	2002
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
	Cost of inventories	67,492	54,132
	Staff costs		
	 Salaries and staff benefits 	10,688	11,360
	- Retirement costs	358	378

,360 378 Depreciation

- assets held for use under finance leases

- owned fixed assets owned fixed assets
 Operating lease charges in respect of properties
 Rentals receivable from investment properties less outgoings of HK\$2,000 (six months ended 30 September 2002:HK\$2,000) (66) (64)

2002 HK\$'000 2003 HK\$'000 Provision for Hong Kong Profits Tax PRC taxation 160 200

The provision for Hong Kong Profits Tax is calculated at the rate of 17.5% (2002:16%) of the estimated assessable profit during the per at the appropriate current rates of taxation ruling in the PRC.

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

Dividends
The directors do not recommend any interim dividend for the six months ended 30 September 2003 (2002: Nil).

Earnings per share
The calculation of basic earnings per share is based on the net profit attributable to shareholders for the period of HK\$1,771,000 (2002: HK\$2,451,000) and on the weighted average of 280,000,000 shares (2002: 280,000,000) in issue during the period.

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

The calculation of diluted earnings per share for the six months ended 30 September 2003 as the exercise or share opinions would nave an air-undunive relational to 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

MANAGEMENT DISCUSSION AND ANALYSIS

Results

The Group recorded a turnover of approximately HK\$90,818,000 for the six months ended 30 September 2003, representing a moderate increase of 11% over the last corresponding period. The Group's profit attributable to shareholders of approximately HK\$1,771,000, representing a decrease of 28% over the same period of last year. Earnings per share for the period ended 30 September 2003 was HK0.6 cent (2002: 0.9 cent).

Despite the challenging market conditions, the Group had recorded a growth on the sales for the period under review. The increase in Despite the charactering in market continuous, the Group had recorded a grown of the sates to the period under review. The interease in sales was mainly attributable to the increased sales of parts and engineering services for buses and coaches in Hong Kong and increased sales of luxury yachts to the US and European markets. Profit margins were squeezed due to the continued strong Euro pressure. As most of the Group's products were sourced from Europe, the continuing strong Euro against US dollars sharply increased our cost of sales during the period, which affected the Group's profitability. Therefore, the profit attributable to shareholders was decreased by 28% when compared with the corresponding period of last year.

The Group's recurrent revenue came from its provision of engineering services for trucks and buses and the sales of trucks in Hong Kong. Under the economic conditions in the first half of the year, the sales of trucks in Hong Kong was generally subject to downward pressures on the sales and the profit margins. The Group's provision of engineering services for buses showed a satisfactory performance during the period.

On the other hand, the negotiation process of many major projects slowed down because of the outbreak of Severe Acute Respiratory Syndrome ("SARS") in the early of this year. This resulted in the lower-than-expected performance of the sales to PRC during the period under review.

period under review.

The newly setup entity in Zhuhai engaged in logistics equipment and assembling and integrating railway maintenance equipment and related systems has commenced its operations even though in the small scale. The sales of luxury yachts were improved as compared to the same period of last year. Management believes that the performance will be improved in the coming year after the implementation of some cost control measures.

With the end of the SARS outbreak in June this year, the Group believes that the continuous economic progress in the PRC market will further increase the demand for the railway maintenance equipment and airport ground support equipment.

In future, the Group will continue to focus on the PRC market. At the same time, the Group will put great efforts on improving its cost structure and reducing its overheads in order to maintain its competitive edge. The Group has combined its two offices in Hong Kong in August 2003. The Group expects that this will further reduce our overall administrative costs.

Employees and Remuneration Policy
As at 30 September 2003, the Group employed 119 staff in Hong Kong and the PRC. The Group's remuneration packages include basic salary, double pay, commission, share option scheme and insurance. The Group's emolument policies are formulated based on the individual performance and the salary trend in the regions will be reviewed annually. As at the date hereof, a total of 10,000,000 share options are granted to selected eligible executives.

LIQUIDITY AND FINANCIAL RESOURCES

Liquidity
The Group generally finances its operations from cash generated from operating activities and banking facilities. As at 30 September 2003, the Group's total bank borrowings was approximately HK\$30,685,000 (31 March 2003:HK\$41,533,000). Of the total bank borrowings, HK\$21,652,000 was repayable within one year and the balance was repayable after one year. The Group's gearing ratio (total borrowings over total assets) was 17% (31 March 2003:20%).

As at 20 September 2003 the Group had cash and bank balances including pledged fixed deposits totalling HK\$55,324,000 (31

As at 30 September 2003, the Group had cash and bank balances including pledged fixed deposits totalling HK\$55,324,000 (31 March 2003: HK\$34,714,000). The Group's cash, bank balances and bank borrowings were mainly denominated in US dollars, Euro and Hong Kong dollars. The annual interest rates of such borrowings for the period under review were ranged from prime rate to prime rate plus 0.5%.

The Group had total assets of approximately HK\$180,373,000 which were financed by shareholders' equity of approxi HK\$95,108,000 and liabilities of approximately HK\$85,265,000. The current ratio of the Group was 1.8 (31 March 2003:1.6).

Exchange exposure and hedging
The business operations of the Group are mainly transacted in US dollars, Euro, Renminbi, Japanese Yen and Hong Kong dollars

The business operations of the Group are mainly transacted in US dollars, Euro, Reminioh, Japanese ren and Hong Kong dollars. Most of the Group's sales are conducted in US dollars and Hong Kong dollars while purchases are conducted in Euro. 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 currency 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. Accordingly, the outstanding hedging instrument as at 30 September 2003 was approximately HK\$43,341,000.

Charge on the Group assets
As at 30 September 2003, certain of the Group's land and buildings with an aggregate carrying value of HK\$18,656,000 (31 March 2003: HK\$18,861,000) and bank deposits of HK\$11,268,000 (31 March 2003: HK\$12,777,000) were pledged to banks to secure general banking facilities granted to its subsidiaries.

CONTINGENT LIABILITIES

At 30 September 2003, 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\$1,769,000 (31 March 2003:HK\$1,886,000) and HK\$22,883,000 (31 March 2003: HK\$26,043,000) 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

The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters, including a review of the unaudited interim financial statements for the six months ended 30 September 2003.

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 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 and Managing Director