

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



YARDWAY GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

(the "Company")

(Stock Code: 646)

ANNOUNCEMENT IN PURSUANCE OF RULES 13.13 and 13.15 OF THE LISTING RULES

The Directors announce the details of trading receivables from a customer pursuant to Rules 13.13 and 13.15 of the Listing Rules. As at the date of this announcement, such trading receivables amounted to US\$758,613 (equivalent to approximately HK\$5,917,181).

The following disclosure is made by Yardway Group Limited (the "Company") in compliance with the disclosure requirements under Rules 13.13 and 13.15 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

As at the date of this announcement, the Company and its subsidiaries (the "Group") had trading receivables ("Receivables") for sales of underfloor wheel lathe ("Lathe") due from a customer namely, 南京地下鐵道有限公司 (Nanjing Metro Company Limited) ("Nanjing Metro") which a company, Sainty International Group Jiangsu Machinery I/E Corp., Ltd, is acting on its behalf as agent ("Agent"). The amount of the Receivables is approximately US\$758,613 (equivalent to approximately HK\$5,917,181). As at the date of this announcement, there are 280,000,000 shares of the Company in issue. Based on the average closing price of the Company's shares of HK\$0.1804 as stated in the Stock Exchange's daily quotation sheets for the trading days from 2 July 2004 to 8 July 2004 (both days inclusive), being the five business days immediately preceding the date of this announcement, the total market capitalisation of the Company is HK\$50,512,000 as at the date of this announcement. Accordingly, the Receivables amounted to approximately 11.71% of the total market capitalisation of the Company as at the date of this announcement. As the Receivables exceed 8% of the total market capitalisation of the Company as at the date of this announcement, the Company is obliged to disclose such information by way of a press announcement according to Rules 13.13 and 13.15 of the Listing Rules.

To the best of the knowledge of the Directors, each of Nanjing Metro, the Agent and their ultimate beneficial owners is an independent third party not connected to the directors, chief executive or substantial shareholders of the Company, or their respective subsidiaries or associates, as defined in the Listing Rules. The Receivables are unsecured and interest free and primarily arose from sales to Nanjing Metro transacted during the financial year ended 31 March 2005. 70.59% of the Receivables are agreed to be settled by way of irrevocable letters of credit drawn at sight, which will be settled upon the fulfillment of various conditions, including but not limited to the issue of bill of lading and relevant invoices. 23.53% of the Receivables and the remaining 5.88% of the Receivables are expected to be settled upon the issue of pre-inspection certificate and the issue of final acceptance certificate in respect of the Lathe respectively by Nanjing Metro by way of telegraphic transfer and the dates of which are not determined yet.

The Company will fulfill the continuing disclosure obligation under Rule 13.20 of the Listing Rules so long as circumstances giving rise to such disclosure obligation continue to exist at its interim period end or year end. The board of directors ("Directors") of the Company confirms that, save as disclosed above, the Company does not have other disclosure obligations under Rules 13.13 and 13.15 of the Listing Rules as at the date of this announcement.

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

By Order of the Board
Fong Kit Wah Alan
Chairman

Hong Kong, 9 July 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.