Chairman's Statement

On behalf of the Board of Directors of Yardway Group Limited (the "Company"), together with its subsidiaries, (the "Group"), I have the pleasure to present the annual report of the Group for the year ended 31 March 2003.

RESULTS

The Group has recorded a turnover of approximately HK$199,882,000, which represents a decrease of 11.6% compared with last year's figure of HK$226,143,000. The net profit attributable to shareholders dropped by 68.5% to approximately HK$8,082,000 for the year ended 31 March 2003. The basic earnings per share for the year was HK3 cents.

DIVIDEND

The Directors have recommended the payment of a final dividend of HK1 cent per share for the year ended 31 March 2003 (2002: HK1 cent per share).

OVERALL REVIEW

For the year under review, although the Group's turnover and net profit decreased in 2003, the Group remained profitable. During the year, sales in Hong Kong had increased by approximately 8% over the previous year. This was mainly attributable to the increase in engineering services rendered for buses and coaches in Hong Kong. However, the contribution from engineering services was offset by the loss contribution from sales of coaches and trucks in Hong Kong. Although sales to China fell by approximately 11%, it still represented the larger contributions among all business divisions. This contribution was not sufficient to counter the effects of the weakening economy in Hong Kong.

In the second half of the year, the Group faced another unfavorable factor, which further affected the Group's profitability. The strong Euro against US dollars led to some impact on the Group's result since the payments to the Group's major suppliers are denominated in Euro whereas almost all of the Group's incomes are either denominated in US dollars or Hong Kong dollars. As such, the gross profit margin was narrowed as compared to the previous year.

Thanks to the Group's well establishment in China, the Group still managed to record profit. The Group's profit contribution was mainly derived from the sales of railway maintenance equipment and airport ground support equipment in the PRC. Our ample experience in the field of railway maintenance equipment and airport ground support equipment together with the commitment to provide timely technical support to customers differentiated ourselves from other competitors.

PROSPECTS

The recent economic forecasts for Hong Kong indicate that the next financial year will undergo a low economic growth. The increase in the First Registration Tax in 2003 and the recent outbreak of Severe Acute Respiratory Syndrome ("SARS") will create challenging trading conditions for the Group and squeeze our margins in the coming year. The Group will continue to control its operating costs in order to enhance our competitive edge.

Whilst trading conditions in China is also affected by the outbreak of SARS, the Group expects that the impact is short term and will recover soon because the World Health Organisation has already lifted all relevant PRC's cities from the infected-area list recently. The Group is positive about the operations in China given the country's continued economic prosperity.

At the same time, the Group is still facing challenges. In short term, the strong Euro against US dollars will continue to be a major problem and put much pressure on our profit margins in the coming year. The Group will continue to control its costs and source more products for our customers in order to widen our income sources.

APPRECIATION

I would like to extend my sincere gratitude to our shareholders for their support; our management team for their dedications; and our staff for their hard work amidst a very competitive environment during the year.

On behalf of the Board.
Fong Kit Wah, Alan
Chairman and Managing Director

Hong Kong, 18 July 2003