

Chairman's Statement

On behalf of the Board of Directors (the "Directors") of Yardway Group Limited (the "Company"), I am presenting the annual report of the Company and its subsidiaries (the "Group") for the year ended 31 March 2004.

BUSINESS REVIEW AND PROSPECTS

During the year under review, the Group recorded a turnover of approximately HK\$228,507,000 representing a 13% increase as compared to the last year. The loss attributable to shareholders for the year was HK\$4,355,000 (2003 (restated): Profit attributable to shareholders of HK\$8,070,000). The Group's performance was affected due to the global economy slow down and the continued strong Euro during the year under review. Despite this, the Group was able to achieve a satisfactory increase in sales. The increase in turnover was brought by the growth in the businesses of railway maintenance equipment, airport ground support equipment and luxury yachts. However, the sales of trucks and coaches were affected by the sluggish economy in Hong Kong. The Group's overall gross margin was lowered due to the appreciation of Euro.

As previously mentioned in the interim report, the strong Euro currency prevailing for the time being will affect our gross profit margin. The Group will source some products from the United States for the new projects. In addition the Group will put great efforts on reducing its overhead in order to increase our competitive edge.

Barring unforeseen circumstances, the Group is optimistic about its future prospects. With the rapid growth of infrastructure development in the People's Republic of China ("PRC"), the Group believes that there will be an increasing demand for sophisticated and specialized transport related equipment in this market. The Group will also continue to capture the new business in order to enhance its core business.

APPRECIATION

On behalf of the Directors, I would like to express my sincere gratitude to our shareholders and customers for their continuous support, our management team and our staff for their dedication and diligence during the year under review.

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

Hong Kong, 23 July 2004