

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Yardway Group Limited (the "Company"), together with its subsidiaries, (the "Group"), it gives me pleasure to present to the shareholders the annual report of the Company for the year ended 31 March 2005.

RESULTS AND OUTLOOK

During the year, the markets for trucks and services in Hong Kong and sales of railway maintenance equipment and airport ground support equipment were highly competitive. The Euro currency remained strong in the year under review. As such, the fluctuations of Euro had eroded our normal profit margin.

Despite this challenging market condition, we are pleased to see that the Group has returned to profit. For the year under review, the turnover of our Group had decreased by approximately 32% from HK\$228,507,000 in 2004 to HK\$156,383,000 in 2005. The Group's net profit attributable to shareholders for the year ended 31 March 2005 was approximately HK\$7,004,000 (2004: loss of HK\$4,355,000). The decline in turnover was due primarily to the decrease in the sales of yachts, trucks and engineering services and the decrease in trading basis. However, the Group's commission income had increased significantly compared with last year.

In the year under review, the Group still mainly focuses on China market. Accordingly, the sales contributed from China market accounted for approximately 72% of the Group's total sales. For the year under review, we had introduced some new products like the precision equipment, sea bed cutting and dredging equipment and vehicle chassis dynamometers and a wide range of specialized machineries for welding, manufacturing and testing. The contribution from these new products was not significant as they were in the initial stage. However, we are confident that these new products will drive substantial growth in the coming financial year.



To show our gratitude to the shareholders for their continuous support, the Board of Directors proposes a final dividend of HK1 cent per share subject to shareholders' approval at the forthcoming annual general meeting on 22 August 2005.

With the rebound of Hong Kong economy and the continuous growth in China, the management is positive to the outlook of the Group. Although the competition is very keen, the Group will strive to enhance our competitive edge and increase our income base in the coming year. The Group will continue to drive for operation effectiveness and keep a tight control on its overheads. The Group will continue to introduce advanced and quality brands from overseas in anticipation of the market development and trend.

APPRECIATION

I wish to thank my fellow Directors for their valuable contributions and all of our staff for their commitment and hard work.

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

Hong Kong, 20 July 2005

