



INTERIM RESULTS

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 the "Group") for the six months ended 30 September 2005 together with the comparative figures for the corresponding period in 2004. The interim results for the six months ended 30 September 2005 have been reviewed by the Company's audit committee.

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2005
(Expressed in Hong Kong dollars)

		Six months ended 30 September	
		2005	2004
		\$'000	\$'000
		(unaudited)	(unaudited)
	Notes		
Turnover	3	69,155	83,568
Cost of sales/services		(54,133)	(68,938)
Gross profit		15,022	14,630
Other revenue	4	2,207	325
Other net (loss)/income	4	(732)	1,638
Distribution costs		(7,056)	(6,702)
Administrative expenses		(8,744)	(8,129)
Valuation gains on investment property		2,000	-
Profit from operations		2,697	1,762
Finance costs	5(a)	(677)	(464)
Profit before taxation	5	2,020	1,298
Income tax	6	(5)	(27)
Profit after taxation		2,015	1,271
Attributable to:			
Equity holders of the parent		1,948	1,352
Minority interests		67	(81)
Profit after taxation		2,015	1,271
Basic earnings per share	7	0.70 cent	0.48 cent

The notes on pages 6 to 22 form part of this interim financial report.



CONSOLIDATED BALANCE SHEET

At 30 September 2005

(Expressed in Hong Kong dollars)

	Notes	At 30 September 2005 \$'000 (unaudited)	At 31 March 2005 \$'000 (audited) (restated)
Non-current assets			
Fixed assets			
– Investment properties	9	21,500	21,272
– Other property, plant and equipment	9	26,227	27,242
		47,727	48,514
Lease prepayment		683	690
Construction in progress		79	79
Finance lease receivable		40	98
Deferred taxation		1,249	1,312
		49,778	50,693
Current assets			
Trading securities-listed in Hong Kong		318	364
Inventories		15,364	9,684
Accounts and bills receivable	10	38,902	36,114
Prepayments, deposits and other receivables		22,022	12,203
Amount due from a related company		220	181
Current taxation recoverable		1,846	1,846
Finance lease receivable		114	111
Pledged bank deposits		5,973	6,143
Cash and cash equivalents	11	64,050	69,990
		148,809	136,636
Current liabilities			
Bank loans and overdraft		28,800	23,302
Obligations under finance leases		353	254
Accounts and bills payable	12	44,334	41,534
Deposits, other payables and accrued charges		14,508	9,575
Provision for warranties		405	143
Current taxation payable		57	134
		88,457	74,942



CONSOLIDATED BALANCE SHEET (Continued)

At 30 September 2005

(Expressed in Hong Kong dollars)

	Notes	At 30 September 2005 \$'000 (unaudited)	At 31 March 2005 \$'000 (audited) (restated)
Net current assets		60,352	61,694
Total assets less current liabilities		110,130	112,387
Non-current liabilities			
Bank loans		8,099	9,342
Obligations under finance leases		477	354
Deferred taxation		17	89
		8,593	9,785
NET ASSETS		101,537	102,602
CAPITAL AND RESERVES			
Share capital	13	28,000	28,000
Reserves	14	72,788	73,920
Total equity attributable to equity holders of the parent		100,788	101,920
Minority interests		749	682
TOTAL EQUITY		101,537	102,602

The notes on pages 6 to 22 form part of this interim financial report.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2005
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 September 2005 \$'000 (unaudited)	Six months ended 30 September 2004 \$'000 (unaudited) (restated)
Total equity at 1 April			
As previously reported as equity holders of the parent		102,249	89,037
As previously reported separately as minority interests		682	589
		102,931	89,626
Prior period adjustments arising from changes in accounting policies		(329)	–
As restated, before opening balance adjustments		102,602	89,626
Opening balance adjustments arising from changes in accounting policies		(326)	–
At 1 April, after prior period and opening balance adjustments		102,276	89,626
Net income for the period recognised directly in equity			
Exchange differences on translation of: – financial statements of overseas subsidiary		46	–
Net profit for the period			
Attributable to equity holders of the parent		1,948	1,352
Minority interests (as previously presented separately in the income statement)		67	(81)
		2,015	1,271
Total recognised income and expense for the period		2,061	1,271
Dividends declared		(2,800)	–
Total equity at 30 September		101,537	90,897

The notes on pages 6 to 22 form part of this interim financial report.



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2005
(Expressed in Hong Kong dollars)

		Six months ended 30 September	
		2005	2004
		\$'000	\$'000
		(Unaudited)	(Unaudited)
Note			
	Cash (used in)/generated from operations	(3,881)	4,959
	Tax paid	(90)	(27)
	Net cash from operating activities	(3,971)	4,932
	Net cash generated from/(used in) investing activities	2,256	(3,228)
	Net cash used in financing activities	(5,086)	(3,582)
	Decrease in cash and cash equivalents	(6,801)	(1,878)
	Cash and cash equivalents at beginning of period	69,440	58,282
11			
	Effect on foreign exchange rate changes	(5)	-
	Cash and cash equivalents at end of period	62,634	56,404
11			

The notes on pages 6 to 22 form part of this interim financial report.



NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

1. Basis of Presentation

The interim financial report has been prepared in accordance with applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). It was authorised for issuance on 19 December 2005.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2005 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2006 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2005 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

This condensed consolidated interim financial statements has not been audited, but has been reviewed by the Company's audit committee.

The financial information relating to the financial year ended 31 March 2005 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 March 2005 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 20 July 2005.



2. Changes in Accounting Policies

The HKICPA has issued a number of new and revised HKFRSs, which term collectively includes HKASs and Interpretations, that are effective for accounting periods beginning on or after 1 January 2005 and adopted by the Group with effect from 1 April 2005. The Board has determined the accounting policies expected to be adopted in the preparation of the Group's annual financial statements for the year ending 31 March 2006, on the basis of HKFRSs currently in issue.

The HKFRSs that will be effective or are available for voluntary early adoption in the annual financial statements for the year ending 31 March 2006 may be affected by the issue of additional interpretation or other changes announced by the HKICPA subsequent to the date of issuance of this interim report. Therefore the policies that will be applied in the Group's financial statements for that period cannot be determined with certainty at the date of issuance of this interim financial report.

The following sets out further information on the changes in accounting policies for the annual accounting period beginning on 1 April 2005 which have been reflected in the interim financial report.

(a) **HKAS 1, Presentation of financial statements**

The adoption of HKAS 1 has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests has been changed. Minority interests at the balance sheet date are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the parent, and minority interests in the results of the Group for the period are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the period between the minority interests and the equity holders of the parent. The change in presentation has been applied retrospectively.

(b) **HKAS 17, Leases**

The adoption of HKAS 17 has resulted in a change in accounting policy relating to leasehold land. Leasehold land and buildings were previously stated at revaluation model. In accordance with HKAS 17, a lease of land and building should be split into a lease of land and a lease of building according to their fair value at inception. A lease of land is an operating lease and a lease of building is a finance lease. Pursuant to these requirements, the land premium paid for distinguishable leasehold land is accounted for as an operating lease and amortised over its unexpired lease term, whereas undistinguishable leasehold land and building is stated collectively at valuation less accumulated depreciation.



2. Changes in Accounting Policies (Continued)

(b) HKAS 17, Leases (Continued)

The adoption of this new policy does not have a significant impact on the Group's result for the period as the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.

(c) HKAS 32, Financial instruments: Disclosure and presentation and HKAS 39, Financial instruments: Recognition and measurement

In the current period, the Group has applied HKAS 32 and HKAS 39. HKAS 32 requires retrospective application. HKAS 39, which is effective for accounting periods beginning on or after 1 January 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

(i) *Classification and measurement of financial assets and financial liabilities*

In prior years, the investments of the Group in equity securities were classified as trading securities and were stated in the balance sheet at fair value. Changes in fair value are recognised in the income statement as they arise. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivable", or "held-to-maturity financial assets". The classification depends on the purpose for which the assets are acquired. The Group's listed equity investments are classified as financial assets at fair value through profit or loss.

In prior years, the notional amounts of derivative instruments were previously recorded off balance sheet. No gain or loss was recognised until the transaction occurred.

With effect from 1 January 2005, and in accordance with HKAS 39, all derivative instruments (i.e. forward currency contracts) entered into by the Group are stated at fair value. Changes in the fair value of derivative instruments are recognised in the consolidated income statement as the hedging relationship does not qualify for hedge accounting under HKAS 39.

This change was adopted by way of an adjustment to the opening balance of the retained earnings as at 1 April 2005 by a decrease of \$326,000. As a result of this new policy, the Group's profit before taxation for the six months ended 30 September 2005 has decreased by \$11,000.



2. Changes in Accounting Policies (Continued)

(c) HKAS 32, Financial instruments: Disclosure and presentation and HKAS 39, Financial instruments: Recognition and measurement (Continued)

(ii) *Recognition and derecognition of financial instruments*

HKAS 39 provides more rigorous criteria for the derecognition of financial assets than the criteria applied in previous periods. Under HKAS 39, a financial asset is derecognised, when and only when, either the contractual rights to the asset's cash flows expire, or the asset is transferred and the transfer qualifies for derecognition in accordance with HKAS 39.

Upon the adoption of HKAS 39, derecognition of bills receivable discounted with recourse is not allowed. As a result of this new policy, the Group's current assets and current liabilities as at 30 September 2005 increased by \$11,102,000.

(d) HKAS 40, Investment property and HK(SIC) Interpretation 21 ("HKAS Int 21"), Income taxes – Recovery of revalued non-depreciable assets

(i) *Timing of recognition of movements in fair value in the income statement*

In prior periods, movements in fair values of the Group's investment properties were recognised directly in the investment properties revaluation reserve except when, on a portfolio basis, the reserve was insufficient to cover a deficit on the portfolio, or when a deficit previously recognised in the income statement had reversed, or when an individual investment property was disposed of. In these limited circumstances movements in the fair value were recognised in the income statement.

Upon the adoption of HKAS 40, all changes in the fair values of investment properties are recognised directly in the income statement in accordance with the fair value model in HKAS 40. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

The Group has taken of the transitional provisions of HKAS 40 to adjust the effect of adopting the standard to the opening balance of retained earnings rather than restating the comparative amounts to reflect the changes retrospectively for the earlier period presented in the condensed consolidated financial statements.



2. Changes in Accounting Policies (Continued)

(d) HKAS 40, Investment property and HK(SIC) Interpretation 21 ("HKAS Int 21"), Income taxes – Recovery of revalued non-depreciable assets (Continued)

(i) *Timing of recognition of movements in fair value in the income statement (Continued)*

The adoption of HKAS 40 resulted in an increase in opening retained profits at 1 April 2005 of \$1,881,000 and a decrease in opening investment property revaluation reserve at 1 April 2005 of \$1,881,000. The fair value gain during the period amounted to \$2,000,000 and was credited to the income statement.

(ii) *Measurement of deferred tax on movements in fair value*

In prior years the Group was required to apply the tax rate that would be applicable to the sale of investment properties to determine whether any amounts of deferred tax should be recognised on the revaluation of investment properties. As there would have been no tax payable on the disposal of the Group's investment properties, no deferred tax was provided in prior years.

As from 1 January 2005, in accordance with HKAS Int 21, the Group recognises deferred tax on movements in the value of an investment property using tax rates that are applicable to the property's use, if the Group has no intention to sell it and the property would have been depreciable had the Group not adopted the fair value model.

The change in accounting policy has been adopted retrospectively. There was a decrease of \$329,000 in retained earnings as at 31 March 2005 and an increase in deferred tax liabilities by the same amount.

As a result of the adoption of this new policy, the Group's taxation expense for the six months ended 30 September 2005 has increased by \$350,000. There was no adjustment to the six months ended 30 September 2004 as there was no revaluation surplus at that time.



2. Changes in Accounting Policies (Continued)

(e) HKFRS 2, Share-based payment

The adoption of HKFRS 2 has resulted a change in accounting policy for the share options granted to directors and employees by the company. The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of all these share options until they were exercised. The Group has taken advantage of the transitional provisions of HKFRS 2 to share options that were granted on or before 7 November 2002.

This change in accounting policy had no effect on the interim financial report as the Group's share options were granted on 9 September 2002.

(f) HKFRS 3, Business combinations

In prior periods, the Group's positive goodwill which arose prior to 1 January 2001 was taken directly to reserves at the time it arose, and was not recognised in the income statement until disposal or impairment of the acquired business.

In accordance with the transitional arrangements under HKFRS 3, the Group's goodwill which had previously been taken directly to reserves (i.e. goodwill which arose before 1 January 2001) will not be recognised in the income statement on disposal or impairment of the acquired business, or under any other circumstances. The change in accounting policy relating to goodwill had no effect on the interim financial report.



3. Segment reporting

Business segments

The Group comprises the following main business segments:

Sales and distribution activities

- The trading of airport ground support equipment, railway maintenance equipment, coaches and trucks and yachts.

Provision of engineering services and sales of spare parts

- The provision of engineering services and sales of spare parts.

	Six months ended 30 September							
	Sales and distribution		Provision of engineering services and sales of spare parts		Unallocated		Total	
	2005 \$'000 (unaudited)	2004 \$'000 (unaudited)	2005 \$'000 (unaudited)	2004 \$'000 (unaudited)	2005 \$'000 (unaudited)	2004 \$'000 (unaudited)	2005 \$'000 (unaudited)	2004 \$'000 (unaudited)
Revenue from external customers	51,386	67,261	17,769	16,307	–	–	69,155	83,568
Other revenue from external customers	–	–	–	–	2,207	325	2,207	325
Total	51,386	67,261	17,769	16,307	2,207	325	71,362	83,893
Segment results	2,614	(20)	302	2,637	–	–	2,916	2,617
Unallocated operating income and expenses	–	–	–	–	–	–	(219)	(855)
Profit from operations	2,614	(20)	302	2,637	–	–	2,697	1,762
Depreciation for the period	493	542	121	245	1,028	575	–	–
Amortisation of lease prepayment	–	–	–	–	7	–	–	–
Valuation gains on investment property	–	–	–	–	(2,000)	–	–	–
Segment assets	147,492	122,076	19,998	33,414	–	–	167,490	155,490
Unallocated assets	–	–	–	–	–	–	31,097	14,635
Total assets	147,492	122,076	19,998	33,414	–	–	198,587	170,125
Segment liabilities	80,453	57,317	4,399	8,494	–	–	84,852	65,811
Unallocated liabilities	–	–	–	–	–	–	12,198	13,925
Total liabilities	80,453	57,317	4,399	8,494	–	–	97,050	79,736
Capital expenditure incurred during the period	37	12	43	2,361	1,305	102	–	–



3. Segment reporting (Continued)

Geographical segments

The Group's business is managed on a worldwide basis, but participates in four principal economic environments. Hong Kong and the People's Republic of China ("PRC") are the major markets for the Group's businesses.

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							
	Hong Kong		The PRC		The United States of America		Others	
	2005 \$'000 (unaudited)	2004 \$'000 (unaudited)	2005 \$'000 (unaudited)	2004 \$'000 (unaudited)	2005 \$'000 (unaudited)	2004 \$'000 (unaudited)	2005 \$'000 (unaudited)	2004 \$'000 (unaudited)
Revenue from external customers	19,941	18,699	46,455	61,281	2,634	2,426	125	1,162
Segment assets	170,002	150,100	28,350	18,498	-	-	235	1,527
Capital expenditure incurred during the period	1,303	1,807	82	668	-	-	-	-



4. Other revenue and other net (loss)/income

	Six months ended 30 September	
	2005	2004
	\$'000	\$'000
	(unaudited)	(unaudited)
Other revenue:		
Gross rental income from investment properties	866	82
Interest income	503	199
Royalty income	335	–
Recovery of bad debt provision	423	–
Others	80	44
	2,207	325
Other net (loss)/income:		
Exchange (loss)/gain, net	(1,136)	1,634
Gain on disposal of investment property	380	–
Gain on disposal of fixed assets	8	4
Net realised and unrealised gain on trading securities carried at fair value	16	–
	(732)	1,638



5. Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	Six months ended 30 September	
	2005 \$'000 (unaudited)	2004 \$'000 (unaudited)
(a) Finance costs		
Interest on bank borrowings repayable within five years	451	297
Interest on bank borrowings repayable after five years	198	145
Finance charges on obligations under finance leases	28	22
	677	464
(b) Staff costs:		
Contribution to defined contribution plans	451	385
Salaries, wages and other benefits (including directors' remuneration)	9,467	10,092
	9,918	10,477
(c) Other items:		
Cost of inventories	50,244	63,908
Depreciation		
– owned fixed assets	1,503	1,185
– assets held for use under finance leases	139	175
Amortisation of lease prepayment	7	–
Operating lease charges in respect of properties	623	439
Rentals receivable from investment properties less direct outgoings of \$108,000 (six months ended 30 September 2004: \$900)	(757)	(81)



6. Taxation

	Six months ended 30 September	
	2005	2004
	\$'000	\$'000
	(unaudited)	(unaudited)
Current taxation – Provision for Hong Kong profits tax		
Tax for the period	–	–
Over-provision in previous period	(30)	–
	(30)	–
Current tax – PRC	43	27
Deferred taxation	(8)	–
	5	27

No provision for Hong Kong profits tax was made for the current period as the tax losses brought forward from the previous year exceeded the assessable profit for the period. PRC taxation is charged at the appropriate current rates of taxation ruling in the PRC.

7. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the parent of \$1,948,000 (six months ended 30 September 2004: \$1,352,000) and the weighted average number of 280,000,000 ordinary shares (six months ended 30 September 2004: 280,000,000 shares) in issue during the period.

No dilutive earnings per share was presented as all the potential ordinary shares are anti-dilutive for the six months ended 30 September 2004 and 2005

8. Interim dividend

The directors do not recommend any interim dividend for the six months ended 30 September 2005 (2004: Nil).



9. Movement in property, plant and equipment and investment properties

During the six months ended 30 September 2005, the Group acquired items of plant and equipment with a cost of \$1,385,000 (six months ended 30 September 2004: \$2,475,000). Items of plant and equipment with a net book value of \$480,000 were disposed of during the six months ended 30 September 2005 (six months ended 30 September 2004: \$2,000), resulting in a gain on disposal of \$8,000 (six months ended 30 September 2004: \$4,000).

Item of investment property with a net book value of \$2,100,000 was disposed of during the six months ended 30 September 2005 (six months ended 30 September 2004: Nil), resulting in a gain on disposal of \$380,000 (six months ended 30 September 2004: Nil).

The Group's investment properties were revalued at 30 September 2005 by an independent firm of surveyors, Sallmanns (Far East) Limited who has among their staff Fellows of the Hong Kong Institute of Surveyors. The revaluation resulted in a surplus amounting to approximately \$2,000,000, which has been credited to the consolidated income statement.

The Group's land and buildings were revalued by the directors at 30 September 2005. The directors considered that their fair values at that date are not materially different from their carrying values at 31 March 2005.



10. Accounts and bills receivable

Debts are due within 30 to 90 days from the date of billing. The ageing analysis of accounts receivable is as follows:

	30 September 2005 \$'000 (unaudited)	31 March 2005 \$'000 (audited)
Accounts receivable		
– current	14,007	16,703
– 1 to 3 months overdue	6,089	7,017
– more than 3 months overdue but less than 12 months overdue	2,961	2,637
– more than 12 months overdue	1,004	1,459
	24,061	27,816
Bills receivable	11,102	640
Retentions receivable	3,739	7,658
	38,902	36,114

Retentions receivable are amounts which are not paid until the satisfaction of conditions specified in the contract for the payment of such amounts.

Included in bills receivable were bills discounted to the bank with recourse totalling \$11,102,000 as at 30 September 2005 (31 March 2005: Nil).

11. Cash and cash equivalents

	30 September 2005 \$'000 (unaudited)	31 March 2005 \$'000 (audited)
Deposits with banks	31,266	48,521
Cash at bank and in hand	32,784	21,469
Cash and cash equivalents in the balance sheet	64,050	69,990
Bank overdrafts	(1,416)	(550)
Cash and cash equivalents in the cash flow statement	62,634	69,440



12. Accounts and bills payable

Ageing analysis of accounts payable is as follows:

	30 September 2005 \$'000 (unaudited)	31 March 2005 \$'000 (audited)
Accounts payable		
– due within 1 month or on demand	20,688	29,561
– due after 1 month but within 3 months	6,963	2,683
– due after 3 months but within 6 months	6,970	3,208
– due after 6 months but within 1 year	6,602	5,080
	41,223	40,532
Bills payable	3,111	1,002
	44,334	41,534

13. Share capital

	30 September 2005		31 March 2005	
	Number of shares (<i>'000</i>) (unaudited)	Amount \$'000 (unaudited)	Number of shares (<i>'000</i>) (audited)	Amount \$'000 (audited)
Authorised:				
Ordinary shares of \$0.1 each	2,000,000	200,000	2,000,000	200,000
Issued and fully paid:				
Ordinary shares of \$0.1 each	280,000	28,000	280,000	28,000



14. Reserves

	Share premium \$'000	Capital reserve \$'000	Contributed surplus \$'000	Exchange reserve \$'000	Revaluation reserve- land and buildings \$'000	Revaluation reserve- investment properties \$'000	Other reserve \$'000	Retained earnings \$'000	Sub-total \$'000	Minority interest \$'000	Total \$'000
As at 1 April 2005											
As previously reported	3,728	(4,665)	(180)	65	4,734	1,881	125	68,561	74,249	682	74,931
Prior period adjustment in respect of effect of adopting HKAS-Int 21	-	-	-	-	-	-	-	(329)	(329)	-	(329)
As restated, before opening balance adjustments	3,728	(4,665)	(180)	65	4,734	1,881	125	68,232	73,920	682	74,602
Opening balance adjustments	-	-	-	-	-	-	-	(326)	(326)	-	(326)
Effect of adopting HKAS 39	-	-	-	-	-	(1,881)	-	1,881	-	-	-
Effect of adopting HKAS 40	-	-	-	-	-	-	-	-	-	-	-
As restated, after opening balance adjustments	3,728	(4,665)	(180)	65	4,734	-	125	69,787	73,594	682	74,276
Transfer to retained profits on disposal of the property for sale	-	-	-	-	(75)	-	-	75	-	-	-
Exchange difference on translation of the financial statements of subsidiary	-	-	-	46	-	-	-	-	46	-	46
Dividends approved in respect of previous year	-	-	-	-	-	-	-	(2,800)	(2,800)	-	(2,800)
Profit for the period	-	-	-	-	-	-	-	1,948	1,948	67	2,015
As at 30 September 2005	<u>3,728</u>	<u>(4,665)</u>	<u>(180)</u>	<u>111</u>	<u>4,659</u>	<u>-</u>	<u>125</u>	<u>69,010</u>	<u>72,788</u>	<u>749</u>	<u>73,537</u>

	Share premium \$'000	Capital reserve \$'000	Contributed surplus \$'000	Exchange reserve \$'000	Revaluation reserve- land and buildings \$'000	Other reserve \$'000	Retained earnings \$'000	Sub-total \$'000	Minority interest \$'000	Total \$'000
As at 1 April 2004	3,728	(4,665)	(180)	65	407	125	61,557	61,037	589	61,626
Profit for the period	-	-	-	-	-	-	1,352	1,352	(81)	1,271
As at 30 September 2004	<u>3,728</u>	<u>(4,665)</u>	<u>(180)</u>	<u>65</u>	<u>407</u>	<u>125</u>	<u>62,909</u>	<u>62,389</u>	<u>508</u>	<u>62,897</u>



15. Operating lease commitments

(a) As lessee

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one to three years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

At 30 September 2005, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	30 September 2005 \$'000 (unaudited)	31 March 2005 \$'000 (audited)
Within 1 year	1,179	1,071
After 1 year but within 5 years	189	572
	1,368	1,643

(b) As lessor

The Group leases out investment properties under operating lease. The lease typically run for an initial period of one to two years, with an option to renew the lease after that date at which time all terms are renegotiated.

At 30 September 2005, the total future minimum lease receipts under non-cancellable operating leases are as follows:

	30 September 2005 \$'000 (unaudited)	31 March 2005 \$'000 (audited)
Within 1 year	1,651	1,722
After 1 year but within 5 years	2,176	2,944
	3,827	4,666



16. Contingent liabilities

At 30 September 2005, the Group has given guarantees in favour of third parties (representing customers and potential customers) for performing duties and quality assurance amounting to approximately \$1,697,000 (31 March 2005: \$2,435,000) and \$15,129,000 (31 March 2005: \$13,559,000) respectively.

17. Material related party transactions

- (a) During the period, the Group had the following material transactions with related parties:

		Six months ended 30 September	
		2005	2004
		\$'000	\$'000
	Note		
Rental paid	(i)	187	187
Sales of goods	(ii)	–	1,243
Consultancy fee paid	(iii)	342	–

- (i) Fong Kit Wah Alan, a director of the Company, leased a property in the PRC to the Group as the office premises of a representative office of the Group under normal commercial terms.
- (ii) The Group sold a yacht to Island Gypsy Pty Ltd which is controlled by Mr. Harvey Halvorsen, being a substantial shareholder and a director of Yardway Marine Limited, a subsidiary of the Company under normal commercial terms as it traded with independent third party.
- (iii) The amount represented consultancy fee paid to Inteq Srl, a minority shareholder of a subsidiary.
- (b) The amount due from International Yacht Distributors Limited, a shareholder of Yardway Marine Limited of \$220,000 (31 March 2005: \$181,000) is disclosed in the consolidated balance sheet. The amount is unsecured, interest free and has no fixed terms of repayment.

18. Comparative figures

Certain comparative figures have been reclassified as a result of the adoption of new HKFRSs.



MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the six months ended 30 September 2005, the Group reported a turnover of approximately HK\$69,155,000, representing a decrease of approximately 17% from approximately HK\$83,568,000 as compared with the corresponding period of last year. The profit attributable to equity holders of the parent was approximately HK\$1,948,000, representing an increase of 44% over the same period last year.

Business Review

During the period under review, the Group's turnover was decreased by 17% as compared with the corresponding figure in 2004. The contribution of turnover was mainly from the projects of railway maintenance equipment. As the exact time of delivery from the suppliers to the customers was not fully controlled by the Group, some sizeable projects were not recorded in the period under review. However, these projects are expected to be delivered in the second half of the year. In addition, the decline of the engineering services income was mainly due to the expiration of most of the warranty services for buses. As a result, the turnover from sales and distribution activities and provision of engineering services and sales of spare parts was decreased.

Distribution expenses for the period under review was approximately HK\$7,056,000, representing a slightly increase of approximately 5% from that of the corresponding period. The increase in distribution expenses was mainly due to the increase of operation expenses for the PRC during the period. The Group incurred administration expenses of approximately HK\$8,744,000, representing a modest increase of approximately 8% as compared to the last corresponding period. Such increase was mainly attributable to the increase in depreciation and rental. The increase in finance costs was resulted in continuous rise in interest rate.

Prospects

The management of the Group considers that the business environment in the second half of the year will be still challenging as the interest rate increase and the concern of large-scale outbreak of avian influenza. Nevertheless, the Board is positive about the outlook of the Group based on the economic indicator showing the strength of the economy in Hong Kong. The Group will take advantage of Hong Kong's strengths which offer an ideal geographical location to do business. The Group will also cooperate with its overseas manufacturer to manufacture, assemble and integrate railway welding, repair and maintenance equipment in order to reduce its cost. The Group will continue to consolidate its market position and sales network in the PRC.



MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Appreciation

The Directors and management would like to express their gratitude and sincere appreciation to all staff for their contributions to the Group during the period under review.

Employees and Remuneration Policy

As at 30 September 2005, the Group employed 104 staff in Hong Kong and the PRC. Remuneration packages are based on individual performance, work profile and the prevailing market condition. The remuneration packages include basic salary, double pay, and commission, insurance and mandatory provident fund. Share options might also be granted to eligible employees of the Group. The packages are reviewed annually by the management.

Liquidity and Financial Resources

As at 30 September 2005, the Group had total assets of approximately HK\$198,587,000 (31 March 2005 (restated): HK\$187,329,000) which were financed by shareholders' equity of approximately HK\$100,788,000 (31 March 2005 (restated): HK\$101,920,000) and liabilities of approximately HK\$97,799,000 (31 March 2005 (restated): HK\$85,409,000). As at the same date, the Group had current assets and current liabilities of approximately HK\$148,809,000 and HK\$88,457,000 respectively (31 March 2005: HK\$136,636,000 and HK\$74,942,000 respectively).

The Group generally finances its operations with internally generated resources and banking facilities provided by its bankers. As at 30 September 2005, the Group had cash and bank balances including pledged fixed deposits totalling HK\$70,023,000 (31 March 2005: HK\$76,133,000) of which denominated in Euro, United States dollars, Hong Kong dollars and other currencies are 41%, 34%, 11% and 14% respectively. As at 30 September 2005, the Group had a current ratio of 1.68, calculated on the basis of current assets over current liabilities (31 March 2005: 1.82) and a gearing ratio (total borrowings to total assets) of 19% (31 March 2005: 18%).

As at 30 September 2005, the Group's outstanding borrowings amounted to approximately HK\$36,899,000 (31 March 2005: HK\$32,644,000). The indebtedness of the Group mainly comprises of trust receipt loans, invoice financing loans and mortgage loans which are largely denominated in Hong Kong dollars, United States dollars and Euro.



MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Exchange Exposure and Hedging

The Group is subject to foreign currency exposure as its purchases are mainly denominated in Euro while the income which it derives from the sales are mainly denominated in United States dollars, Renminbi and Hong Kong dollars. Accordingly, any movements in the rate of exchange between the foreign currencies in which the Group's purchases are denominated and those in which its income is denominated may have an impact on the Group's business and the results of operations.

Notwithstanding that the Group used foreign exchange contracts for hedging purposes. As at 30 September 2005, the Group had total outstanding forward foreign exchange contracts amounting to approximately HK\$2,331,000.

Pledge of Assets

As at 30 September 2005, the Group's leasehold land and buildings and investment properties situated in Hong Kong with an aggregate net book value amounting to HK\$27,856,000 (31 March 2005: HK\$28,100,000) and bank deposits of HK\$5,973,000 (31 March 2005: HK\$6,143,000) were pledged with the banks to secure banking facilities granted to the Group.



SUPPLEMENTARY INFORMATION

Directors' and Chief Executive's Interests in Shares and Underlying Shares

The directors and chief executive of the Company who held office at 30 September 2005 had the following interests in the shares of the Company, subsidiaries and other associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO") at the date as recorded in the register of directors' and chief executives' interests required to be kept by the Company under section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies:

(i) Interests in the Company

Name of director	Ordinary shares of HK\$0.1 each				Total
	Personal interests	Family interests	Corporate Interests	Other Interests	
Fong Kit Wah, Alan	2,732,000	–	131,000,000 (Note)	–	133,732,000

Note: These shares are registered in the name of and beneficially owned by Speedway Investment Holding Limited ("Speedway"), a company incorporated in the British Virgin Islands ("BVI"), and whose entire issued share capital is wholly-owned by Fong Kit Wah, Alan.

(ii) Interests in a subsidiary of the Company

Fong Kit Wah, Alan also has beneficial interests in his personal capacity in 5,000 non-voting deferred shares of HK\$1 each in Yardway Limited and 75% of the issued share capital in Yardway Holdings Limited which in turn is interested in 100 non-voting deferred shares of HK\$1 each in Yardway Limited.

(iii) Interests in underlying shares

The directors and chief executive of the Company have been granted options under the Company's share option scheme, details of which are set out in the section "Share option scheme" below.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed under the headings "Directors' and Chief Executive's Interests in Shares and Underlying Shares" above and "Share option scheme" below, at no time during the period under review was the Company or any of its holding company or subsidiaries a party to any arrangements to enable the directors, chief executive and their respective spouses and children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.



SUPPLEMENTARY INFORMATION (Continued)

Share Option Scheme

The Company has a share option scheme which was adopted on 28 March 2002, for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the group's operations. Under this scheme, the directors of the company are authorised, at their discretion, to invite employees of the group, including directors of any company in the group, to take up options to subscribe for shares of the company. The share option scheme, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

During the six months ended 30 September 2005, the directors and employees of the Company had the following interests in options to subscribe for shares of the Company under the share option scheme of the Company. The options are unlisted. Each option gives the holder the right to subscribe for one ordinary share of HK\$0.1 each of the Company. The vesting period of the share options is from the date of grant until the commencement of the exercisable period.

Name or category of participant	Date granted	Exercise price per share HK\$	Exercise period	Number of share options				
				At 1 April 2005	Granted during the period	Exercised during the period	Lapsed during the period	At 30 September 2005
Executive directors								
Mr. Fong Kit Wah, Alan	9 September 2002	0.365	16 September 2002 to 15 September 2005	3,000,000	-	-	(3,000,000)	-
Mr. Rourke James Grierson	9 September 2002	0.365	16 September 2002 to 15 September 2005	1,000,000	-	-	(1,000,000)	-
Ms. Cheung Miu Sin	9 September 2002	0.365	16 September 2002 to 15 September 2005	1,000,000	-	-	(1,000,000)	-
Independent non-executive director								
Mr. Wong Man Chung, Francis	9 September 2002	0.365	16 September 2002 to 15 September 2005	1,000,000	-	-	(1,000,000)	-
Non-executive director								
Mr. Yin Jie	9 September 2002	0.365	16 September 2002 to 15 September 2005	1,000,000	-	-	(1,000,000)	-
Senior executive								
	9 September 2002	0.365	16 September 2002 to 15 September 2005	1,000,000	-	-	(1,000,000)	-
				8,000,000	-	-	8,000,000	-
				8,000,000	-	-	8,000,000	-



SUPPLEMENTARY INFORMATION (Continued)

Substantial Shareholders

The register of interests in shares and short positions maintained under section 336 of the SFO shows that at 30 September 2005, other than the interests disclosed above in respect of Fong Kit Wah, Alan and Speedway, the following company had an interest of 5% or more in the issued share capital of the company:

	Ordinary Shares held	Percentage of total issued shares
Goodwell Group Invest Limited (“Goodwell”)	64,576,000	23.06% (Note)

Note: These shares are registered in the name of and beneficially owned by Goodwell, a company incorporated in the BVI, and whose entire issued share capital is wholly-owned by China National Aviation Corporation (Group) Limited (“CNAC”), a company incorporated in Hong Kong. CNAC is in turn ultimately wholly-owned by China National Aviation Holding Limited, a state-owned enterprise established in the PRC.

Save as stated above, no other person is recorded in the register of substantial shareholders maintained under section 336 of the SFO as having an interest of 5% or more in the issued share capital of the company as at 30 September 2005.

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.

Disclosure pursuant to Rule 13.20 of the Listing Rules

Pursuant to rule 13.20 of the Listing Rules, the Group had trade receivables due from Foreign Capital & Technical Import Centre, Ministry of Railways, the PRC amounting to approximately HK\$12,323,000, which exceeded 8% of the Company’s market capitalisation (the percentage ratio as defined under the Listing Rules) as at 30 September 2005. The trade receivables are interest free, unsecured and arose in accordance with the ordinary and usual course of the Group’s business. The said receivables are agreed to be settled by way of irrevocable letter of credit drawn at sight in which 90% will be settled upon the presentation of certain transaction and/or shipping documentations and 10% will be settled within 28 days of receipt of the final acceptance certificate and the relevant commercial invoice. 90% of the receivables was subsequently settled on 7 November 2005.



SUPPLEMENTARY INFORMATION (Continued)

Corporate Governance

In the opinion of the Board, the Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2005, except for the following deviations:

Code Provision A2.1

Code A2.1 specifies that the roles of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and CEO should be clearly established and set out in writing.

The Company does not presently have any officer with the title CEO. At present, Mr. Fong Kit Wah, Alan, being the Chairman and Managing Director of the Company, is responsible for the strategic planning and corporate policy and running the business of the Group as well as the duties of Chairman. The Board considered that, due to the nature and specialised of the Group's business, Mr. Fong is the most appropriate chief executive because he has considerable knowledge and experience in the trading and manufacturing of transport related equipment industry. The Board believes that vesting the roles of the chairman and CEO in the same person provides the Group consistent and sustainable development of the Group. However, the Board will review the current structure from time to time. If there is candidate with suitable knowledge, experience and leadership which can be identified within or outside the Group, the Company may make the necessary amendments.

Code Provision A4.1

Code A4.1 specifies that non-executive directors should be appointed for a specific term, subject to re-election.

None of the existing non-executive directors (including independent non-executive directors) of the Company is appointed for a specific term. This constitutes a deviation from code provision A4.1 of the Code. However, they are subject to the retirement by rotation under article 108(A) of the Company's articles of association. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors by Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors of the Company have confirmed that they have complied with the required standards set out in Model Code throughout the six months ended 30 September 2005.



SUPPLEMENTARY INFORMATION (Continued)

Audit Committee

The audit committee comprises three independent non-executive directors. The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including a review of the unaudited interim financial statements for the six months ended 30 September 2005.

Remuneration Committee

The Company established a remuneration committee on 20 July 2005 in accordance with the requirement of the Code. The remuneration committee comprises three independent non-executive directors, namely Ms. Fung Siu Wan, Stella, Mr. Wong Man Chung, Francis, Mr. Chan Ting Kwong and one executive director, Ms. Cheung Miu Sin.

By order of the Board

Fong Kit Wah, Alan

Chairman

Hong Kong, 19 December 2005