YARDWAY GROUP LIMITED
啟帆集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 646)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2009

FINANCIAL AND OPERATION HIGHLIGHTS

	2008/09	2007/08	Percentage Change
	HK$'000	*HK$'000*	%
Turnover	**189,357**	298,865	(36.6%)
(Loss)/profit attributable to equity shareholders of the Company	**(14,810)**	7,104	–
(Loss)/earnings per share	**(HK1.87 cents)**	HK1.25 cent	–

The Board of Directors (the "Board") of Yardway Group Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2009, together with the comparative figures for 2008. The financial information set out in this announcement below does not constitute the Group's statutory financial statements for the year ended 31 March 2009, but represents an extract from those financial statements. The financial information has been reviewed by the Company's audit committee.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2009

	Note	2009 HK$'000	2008 HK$'000
Turnover	3	**189,357**	298,865
Cost of sales		**(147,867)**	(248,629)
Gross profit		**41,490**	50,236
Other revenue	5(a)	**1,140**	4,886
Other net (expenses)/income	5(b)	**(2,383)**	7,391
Distribution costs		**(20,114)**	(20,598)
Administrative expenses		**(33,404)**	(36,763)
Net surplus on revaluation of leasehold land and buildings		**505**	200
Valuation (loss)/gain on investment properties		**(870)**	960
Gain on disposal of subsidiaries		**–**	295
Gain on disposal of jointly controlled entities		**–**	4,658
Excess of the Group's share of net fair value of interest in subsidiaries acquired over the cost of acquisitions		**–**	113
(LOSS)/PROFIT FROM OPERATIONS		**(13,636)**	11,378
Finance costs	6(a)	**(1,019)**	(2,347)
(LOSS)/PROFIT BEFORE TAXATION	6	**(14,655)**	9,031
Income tax	7(a)	**(172)**	(2,241)
(LOSS)/PROFIT FOR THE YEAR		**(14,827)**	6,790
Attributable to:			
Equity shareholders of the Company		**(14,810)**	7,104
Minority interests		**(17)**	(314)
(LOSS)/PROFIT FOR THE YEAR		**(14,827)**	6,790
(LOSS)/EARNINGS PER SHARE	9		
– Basic (2008: restated)		**(1.87) cents**	1.25 cents
– Diluted (2008: restated)		**(1.87) cents**	1.23 cents

CONSOLIDATED BALANCE SHEET

As at 31 March 2009

	Note	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Interest in leasehold land held for own use under operating leases		**1,090**	1,094
Property, plant and equipment		**47,618**	47,644
Investment properties		**5,890**	6,760
Deferred tax assets		**242**	237
		54,840	55,735
CURRENT ASSETS			
Trading securities		**26,385**	41
Inventories		**22,314**	28,121
Trade and other receivables	*10*	**79,987**	127,285
Current taxation recoverable		**105**	1,926
Pledged bank deposits		**11,717**	8,348
Cash and cash equivalents		**119,230**	62,731
		259,738	228,452
CURRENT LIABILITIES			
Trade and other payables	*11*	**117,387**	141,494
Bank loans and overdrafts		**2,231**	12,965
Obligations under finance leases		**396**	396
Current taxation		**256**	1,005
		120,270	155,860
NET CURRENT ASSETS		**139,468**	72,592

	2009	2008
	HK$'000	*HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES	**194,308**	128,327
NON-CURRENT LIABILITIES		
Bank loans	**3,883**	5,328
Obligations under finance leases	**66**	462
Deferred tax liabilities	**2,450**	849
	6,399	6,639
NET ASSETS	**187,909**	121,688
CAPITAL AND RESERVES		
Share capital	**55,825**	28,825
Reserves	**132,084**	92,278
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY	**187,909**	121,103
MINORITY INTERESTS	**–**	585
TOTAL EQUITY	**187,909**	121,688

NOTES

For the year ended 31 March 2009

1. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain amendments and interpretations which are or have become effective. It has also issued certain new and revised HKFRSs which are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2 provides information on initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2009 comprise the Company and its subsidiaries (together referred to as the "Group").

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity. These financial statements are presented in Hong Kong dollars ("HK$"), rounded to the nearest thousand except for per share data. Hong Kong dollar is the Company's functional and presentation currency.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– investment in equity securities;

– derivative financial instruments;

– leasehold land and buildings; and

– investment property.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has where applicable applied the following amendments and interpretations ("new HKFRSs") issued by the HKICPA which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The application of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior adjustment is required.

The Group has not early applied any of the following new and revised standards, amendments or interpretations which have been issued but are not yet effective for annual periods beginning on 1 April 2008.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[8]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligation Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible hedged items[3]
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standard[3]
HKFRS 2 (Amendments)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7 (Amendments)	Improving disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Reassessment of Embedded Derivatives[7]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[4]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[5]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[3]
HK(IFRIC) – Int 18	Transfers of Assets from Customers[6]

1 Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.
2 Effective for annual periods beginning on or after 1 January 2009.
3 Effective for annual periods beginning on or after 1 July 2009.
4 Effective for annual periods beginning on or after 1 July 2008.
5 Effective for annual periods beginning on or after 1 October 2008.
6 Effective for transfers of assets from customers received on or after 1 July 2009.
7 Effective for annual periods ending on or after 30 June 2009.
8 Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate.

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

The Company's directors anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. TURNOVER

The principal activities of the Group are trading of vehicles, machinery, equipment, spare parts and provision of engineering services.

Turnover represents the sales value of goods supplied to customers, service income and commission income. The amount of each significant category of revenue recognised in turnover during the year is as follows.

	2009	2008
	HK$'000	*HK$'000*
Sales of goods	**161,679**	274,385
Service income	**25,206**	16,862
Commission income	**2,472**	7,618
	189,357	298,865

4. SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

a) Business segments

The Group comprises the following main business segments:

Sales and distribution:	the trading of vehicles, machinery and equipment
Provision of engineering services and sales of spare parts:	the provision of engineering services and sales of spare parts

	Sales and distribution		Provision of engineering services and sales of spare parts		Unallocated		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**113,962**	236,285	**75,395**	62,580	**–**	–	**189,357**	298,865
Other revenue from external customers	**–**	–	**–**	–	**519**	3,766	**519**	3,766
Total	**113,962**	236,285	**75,395**	62,580	**519**	3,766	**189,876**	302,631
Segment results	**(9,425)**	9,960	**6,215**	1,680	**–**	–	**(3,210)**	11,640
Interest income							**621**	1,120
Unallocated operating income and expenses							**(11,047)**	(1,382)
(Loss)/profit from operations							**(13,636)**	11,378
Finance costs							**(1,019)**	(2,347)
Taxation							**(172)**	(2,241)
(Loss)/profit for the year							**(14,827)**	6,790
Other Information								
Depreciation and amortisation	**1,481**	2,344	**325**	255	**1,784**	1,714	**3,590**	4,313
Write-down of inventories	**2,211**	3,726	**–**	–	**–**	–	**2,211**	3,726
Impairment losses on trade receivables	**1,487**	633	**448**	–	**–**	–	**1,935**	633
Impairment losses on goodwill	**–**	–	**–**	–	**332**	–	**332**	–
Impairment losses on amounts due from jointly controlled entities	**–**	1,099	**–**	–	**–**	–	**–**	1,099
Capital expenditure incurred during the year	**559**	6,535	**7**	198	**1,047**	1,248	**1,613**	7,981
Valuation (loss)/gain on investment properties	**–**	–	**–**	–	**(870)**	960	**(870)**	960
Net surplus on revaluation of leasehold land and buildings	**–**	–	**–**	–	**505**	200	**505**	200
Segment assets	**175,536**	187,884	**19,788**	31,234			**195,324**	219,118
Unallocated assets							**119,254**	65,069
Total assets							**314,578**	284,187
Segment liabilities	**101,130**	124,881	**14,646**	21,287			**115,776**	146,168
Unallocated liabilities							**10,893**	16,331
Total liabilities							**126,669**	162,499

b) Geographical segments

The Group's business is managed on a worldwide basis, but participates in three principal economic environments.

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.

	Hong Kong		Other parts of the PRC		Europe		Others		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**34,673**	34,406	**135,654**	240,952	**18,789**	21,783	**241**	1,724	**189,357**	298,865
Segment assets	**213,400**	162,536	**101,178**	121,651	**–**	–	**–**	–	**314,578**	284,187
Capital expenditure incurred during the year	**1,260**	2,334	**353**	5,647	**–**	–	**–**	–	**1,613**	7,981

5. OTHER REVENUE AND NET (EXPENSES)/INCOME

	2009	2008
	HK$'000	*HK$'000*
a) Other revenue		
Interest income on bank deposits	**621**	1,120
Total interest income on financial assets not at fair value through profit or loss	**621**	1,120
Gross rental income from investment properties	**432**	1,816
Management fee income	**31**	120
Dividend income from listed securities	**1**	13
Compensation income *(Note)*	**–**	1,710
Others	**55**	107
	1,140	4,886

Note: The compensation income of approximately HK$1,710,000 was received from a customer for termination of a contract in relation to the distribution and after sales service and related spare parts provided by the Group.

	2009	2008
	HK$'000	*HK$'000*
b) Other net (expenses)/income		
Impairment losses on goodwill	**(332)**	–
Net exchange gain	**1,560**	6,482
Net loss on disposal of property, plant and equipment	**(43)**	(219)
Gain on disposal of investment properties	**–**	884
Net (loss)/gain on sale of trading securities	**(10)**	269
Net unrealised loss on trading securities carried at fair value	**(3,558)**	(25)
	(2,383)	7,391

6. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging/(crediting) the following:

	2009	2008
	HK$'000	*HK$'000*
a) Finance costs		
Interest on bank borrowings wholly repayable within five years	**846**	1,882
Interest on bank borrowings not wholly repayable within five years	**120**	389
Finance charges on obligations under finance leases	**53**	76
Total interest expense on financial liabilities not at fair value through profit or loss	**1,019**	2,347
b) Staff costs (including directors' emoluments)		
Contributions to defined contribution retirement plans	**1,543**	1,335
Equity-settled share-based payment expenses	**–**	543
Salaries, wages and other benefits	**27,857**	27,768
	29,400	29,646

c) Other items

	2009	2008
	HK$'000	*HK$'000*
Amortisation of land lease premium	**24**	24
Cost of inventories	**135,029**	233,202
Depreciation		
– assets held for own use under finance leases	**354**	207
– other assets	**3,212**	4,082
Impairment losses on trade and other receivables	**1,935**	633
Impairment losses on amounts due from jointly controlled entities	**–**	1,099
Increase in provision for warranty costs	**–**	6
Auditor's remuneration		
– audit services	**916**	932
– other services	**40**	133
Net (gain)/loss on derivative financial instruments	**(9)**	183
Operating lease charges in respect of properties:		
– minimum lease payments	**2,663**	2,287
Gross rental income from investment properties	**432**	1,816
Direct operating expenses arising from		
– investment properties that generated rental income	**–**	49
– investment properties that did not generate rental income	**27**	28
	27	77

7. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

a) Income tax in the consolidated income statement represents:

	2009	2008
	HK$'000	*HK$'000*
Current tax		
Hong Kong profits tax	**151**	22
PRC enterprise income tax	**334**	2,187
	485	2,209
Over-provision in respect of prior years		
Hong Kong profits tax	**(296)**	–
	189	2,209
Deferred tax		
Current year	**(21)**	32
Attributable to a change in tax rate	**4**	–
	(17)	32
Total	**172**	2,241

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 and reduced corporate profits tax rate from 17.5% to 16.5% which is effective from the year of assessment 2008/2009. Hong Kong Profits Tax is calculated at 16.5% (2008: 17.5%) of the estimated assessable profit for the year.

Yardway Logistics Equipment (Zhuhai) Company Limited ("Yardway Zhuhai") is a foreign investment enterprise entitled to exemption from PRC Enterprise Income Tax for two years starting from the first profit-making year, followed by a 50% relief for the three years thereafter. The tax exemption period had been expired. Yardway Zhuhai is subject to a preferential tax rate of 15%, 18% and 20% for the calendar years of 2007, 2008 and 2009, respectively.

Yardway Advance Power Equipment (Beijing) Co Ltd ("Yardway Beijing") is a foreign investment enterprise subject to PRC Enterprise Income Tax of 33% for the calendar year of 2007 and 25% from 1 January 2008.

On 16 March 2007, the People's Republic of China promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations decrease the tax rate for Yardway Beijing from 33% to 25% from 1 January 2008 and increase the tax rate for Yardway Zhuhai on a progressive basis to 25% in the calendar year of 2012, over a period of five years.

Withholding tax (applicable to PRC subsidiaries which pays dividend, interest, rent, royalty to non-resident companies).

Pursuant to the new PRC Corporate Income Tax Law which took effect from 1 January 2008, a 10% withholding tax was levied on dividends declared to foreign enterprise investors from the PRC effective 1 January 2008. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign enterprise investors.

On 22 February 2008, Caishui (2008) No. 1 was promulgated by the PRC tax authorities to specify that dividends declared and remitted out of the PRC from the retained earnings as at 31 December 2007 determined based on the relevant PRC tax laws and regulations are exempted from the withholding tax.

Deferred tax liabilities of HK$127,000 have not been recognised, as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that certain of the profits earned by the Group's PRC subsidiaries since 1 January 2008 will not be distributed in the foreseeable future.

b) **Reconciliation between tax expense and accounting (loss)/profit at the applicable tax rates:**

	2009	2008
	HK$'000	*HK$'000*
(Loss)/profit before taxation	**(14,655)**	9,031
Notional tax on (loss)/profit before taxation, calculated at the tax rates applicable to (loss)/profit in the tax jurisdictions concerned	**(2,291)**	2,076
Tax effect of non-deductible expenses	**2,190**	1,018
Tax effect of non-taxable income	**(418)**	(2,067)
Tax effect of unused tax losses not recognised	**1,411**	1,729
Tax effect of utilization of unused tax losses not recognised in prior years	**(428)**	(515)
Increase in opening of deferred tax liability resulting from a change in tax rate	**4**	–
Over provision in prior years	**(296)**	–
Actual tax expense	**172**	2,241

8. DIVIDENDS

The Board does not recommend the payment of any dividend for the year ended 31 March 2009 (2008: Nil).

9. (LOSS)/EARNINGS PER SHARE

a) Basic (loss)/earnings per share

The calculation of the basic (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of HK$14,810,000 (2008: profit of HK$7,104,000) and the weighted average number of 791,126,000 ordinary shares (2008: 569,690,000 ordinary shares) in issue during the year. The weighted average number of ordinary shares used in the calculation of basic earnings per share for the year ended 31 March 2008 has accounted for the share sub-division which was effective from 13 February 2009. The corresponding number of ordinary shares of 2008 has been retrospectively adjusted to reflect the said share sub-division.

b) Diluted (loss)/earnings per share

Diluted loss per share equals to the basic loss per share as there were no potential dilutive ordinary shares outstanding for the year ended 31 March 2009.

For the year ended 31 March 2008, the calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$7,104,000 and the weighted average number of ordinary shares of 577,780,000 shares.

Weighted average number of ordinary shares (diluted)

	2009 Number of shares	2008 Number of shares
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**791,126**	569,690
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	**–**	8,090
Weighted average number of ordinary shares (diluted) for the purpose of diluted earnings per share	**791,126**	577,780

The weighted average number of ordinary shares used in the calculation of diluted earnings per share for the year ended 31 March 2008 has accounted for the share sub-division which was effective from 13 February 2009. The corresponding number of ordinary shares of 2008 has been retrospectively adjusted to reflect the said share sub-division.

10. TRADE AND OTHER RECEIVABLES

		The Group	
		2009	2008
	NOTES	***HK$'000***	*HK$'000*
Trade receivables	*(a)*	**50,474**	90,928
Retention receivables	*(b)*	**12,319**	16,103
Other receivables		**1,510**	1,144
Deferred consideration		**–**	786
Loans and receivables		**64,303**	108,961
Derivative financial instruments:			
– foreign currency forward contracts		**40**	54
Prepayments and deposits		**15,644**	18,270
		79,987	127,285

All of the trade and other receivables apart form certain retention receivables are expected to be recovered within one year.

a) Trade receivables

i) Ageing analysis

Trade receivables are net of allowance for bad and doubtful debts of HK$3,074,000 (2008: HK$1,139,000) with the following ageing analysis as of the balance sheet date:

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Current	**23,046**	70,893
1 to 3 months past due	**11,325**	9,755
More than 3 months but less than 12 months past due	**11,430**	9,521
More than 12 months past due	**4,673**	759
	50,474	90,928

Trade receivables are due in accordance with contract terms or within 2 months from the date of billing.

ii) Impairment of trade receivables

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that the recovery of the amount is remote, in which case the debts are directly impaired as an impairment loss.

Movements in the allowance for doubtful debts

	The Group	
	2009	2008
	HK$'000	*HK$'000*
At beginning of the year	**1,139**	506
Impairment loss recognised	**1,935**	633
At end of the year	**3,074**	1,139

As at 31 March 2009, trade receivables of the Group amounting to HK$3,074,000 (2008: HK$1,139,000) were individually determined to be impaired and full provision had been made. These individually impaired receivables were outstanding for over one year as at the balance sheet date or were due from companies with financial difficulties. The Group does not hold any collateral over these balances.

iii) Trade receivables that are not impaired

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Neither past due nor impaired	23,046	70,893
1 to 3 months past due	11,325	9,755
3 to 12 months past due	11,430	9,521
More than 1 year past due	4,673	759
	50,474	90,928

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no resent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

b) Retention receivables

Retention receivables are amounts which are not paid until the satisfaction of conditions specified in the contract for the payment of such amounts. The amount of retentions expected to be recovered after more than one year is HK$7,810,000 (2008: HK$3,931,000).

11. TRADE AND OTHER PAYABLES

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Trade and bills payables	**78,783**	105,809
Other payables and accruals	**11,558**	8,980
Financial liabilities measured at amortised cost	**90,341**	114,789
Derivative financial instruments:		
– foreign currency forward contracts	**64**	87
Sales deposits received	**26,982**	26,618
	117,387	141,494

All trade and other payables apart from certain retention payables are expected to be settled within one year.

Retention payables are amounts which are not paid until the satisfaction of conditions specified in the contract for the payment of such amounts. The amount of retentions expected to be settled after more than one year is HK$669,000 (2008: HK$4,623,000).

The following is an age analysis of the trade and bills payables as at the balance sheet date.

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Due within 1 month or on demand	**35,705**	48,041
Due after 1 month but within 3 months	**5,093**	8,285
Due after 3 months but within 6 months	**9,192**	7,121
Due after 6 months but within 1 year	**7,541**	18,313
	57,531	81,760
Bills payable	**17,380**	19,426
Retention payables	**3,872**	4,623
	78,783	105,809

SCOPE OF WORK OF CCIF CPA LIMITED

The figures in respect of the announcement of the Group's results for the year ended 31st March 2009 have been agreed by the Group's auditor, CCIF CPA Limited to the amounts set out in the Group's audited financial statements for the year. The work performed by CCIF CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by CCIF CPA Limited on the announcement.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 26 August 2009 to Monday, 31 August 2009, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting to be held on Monday, 31 August 2009, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Tuesday, 25 August 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the year ended 31 March 2009, the Group recorded a turnover of about HK$189,357,000, representing a decrease of about 36.6% compared to that of 2008. The Group turned profit to loss with its loss attributable to equity shareholders was about HK$14,810,000 (2008: profit of HK$7,104,000). Gross profit margin was approximately 21.9% as compared to 16.8% in last year.

Business Review

During the year, majority of our revenue was generated from PRC and it was believed to be continued in the future. For the year under review, the Group had completed a few sizeable projects in supplying the railway maintenance equipment to the end users, such as Beijing Metro and Guangzhou Railway (Group) Co. The growth driver of the turnover was mainly attributable to the strong demand for railway maintenance equipment.

For the year ended 31 March 2009, distribution costs of the Group recorded an amount of approximately HK$20,114,000 (2008: HK$20,598,000). The distribution costs was fairly stable as compared with last year. Administrative expenses of the Group for the year amounted to approximately HK$33,404,000 (2008: HK$36,763,000), representing a decrease of approximately 9.1% as compared with last year.

Prospects

In 2009, with the deepening impact of the global financial crisis, the global economy is expected to face more serious challenges. The World Bank forecasted in its report published in March 2009 that in 2009, the global economy would experience the first negative growth since the Second World War. According to "The 2009 Forecasts and Prospects for China's Economy" published by the Center for Forecasting Science, CAS, China's GDP is expected to increase by about 8.3% in 2009. The Chinese government has taken the initiative in introducing a series of new ideologies and measures, proactively promoting the adjustment of infrastructures.

The Group will enhance co-operation with its strategic business partners and maintain good relationships with its customers in various business segments to maintain and expand its market share so as to sustain stable business growth. In respect of financial control, the Group will take measures to reduce operational costs, control expenses and to avoid any unreasonable expense. The Group faces the future with a high degree of confidence in the knowledge that operations are under the control of a well-trained team and benefit from a robust financial framework. Nevertheless, Yardway will continue to take a prudent and cautious approach to building on the Group's various strengths.

Appreciation

The Directors and Management would like to take this opportunity to express their sincere gratitude to all the staff members for their commitment and contribution to the Group for the past year.

Employees and Remuneration Policy

As at 31 March 2009, the Group had 111 employees (2008: 132 employees). The remuneration policy and packages are reviewed annually by the management and the Remuneration Committee. The Group remunerates its employees based on their performance, work experience and the prevailing market price. The remuneration packages include basic salary, double pay, commission, insurance and mandatory provident fund. The Group operates a share options scheme for the purpose of providing incentives and rewards to eligible directors and employees of the Group to recognise their contribution to the success of the Group.

Liquidity and Financial Resources

Liquidity

The Group continued to maintain a solid financial position. As at 31 March 2009, cash and bank balances including pledged fixed deposits of the Group were HK$130,947,000 (2008: HK$71,079,000). The cash and bank balances consisted of about 78.1% in Hong Kong dollars, 6.5% in US dollars, 14.4% in Renminbi, 0.8% in Euro, and 0.2% in other currencies.

As at 31 March 2009, the Group had total assets of HK$314,578,000 (2008: HK$284,187,000) and total liabilities of HK$126,669,000 (2008: HK$162,499,000). As at 31 March 2009, the current ratio was 2.16 (2008: 1.47), calculated on the basis of current assets of HK$259,738,000 (2008: HK$228,452,000) over current liabilities of 120,270,000 (2008: HK$155,860,000).

The Group's bank borrowings amounted to HK$6,114,000 (2008: HK$18,293,000). The Group's borrowings, denominated in Hong Kong dollars, United States dollars and Euro, mainly comprise trust receipt loans, invoice financing loans and mortgage loans bearing floating interest rates. The Group's gearing ratio, being the ratio of the total borrowings to total assets, was 1.9% (2008: 6.4%).

Foreign exchange exposure and hedging

The Group's majority sales transactions are denominated in United States dollars, Renminbi and Hong Kong dollars while the purchases transactions are mainly denominated in Euro. As such, the Group is exposed to foreign exchange risk. The Group made use of forward contracts to manage its foreign exchange exposure in order to reduce net exposure to currency fluctuations.

Charge on Assets

As at 31 March 2009, certain of the Group's land and buildings and investment properties with an aggregate carrying value amounting to HK$16,200,000 (2008: HK$17,000,000) and bank deposits of HK$11,717,000 (2008: HK$8,348,000) were pledged with the banks to secure banking facilities granted to the Group. Included in pledged bank deposits are denominated in Renminbi 4,461,000 (2008: RMB1,626,000) which are pledged by the Group's wholly owned subsidiary in Zhuhai, the PRC.

Share Capital

On 28 August 2008, the Company entered into a Subscription Agreement with Subscribers (Mr. Li Song Xiao, Mr. Yuan Kun, Mr. Lu Zhao Qun, Mr. Jia Bo Wei and Mr. Xu Xiao Yang). Each of the Subscribers (except Jia Bo Wei) is a Director (Mr. Lu Zhao Qun is an ex-director who resigned on 21 April 2009) and Mr. Li Song Xiao is also a substantial shareholder of the Company and is therefore a connected person of the Company. Accordingly, the Subscription constitutes a connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company had sought the approval of the Independent Shareholders for the specific mandate to issue the Subscription Shares in the extraordinary general meeting on 10 October 2008.

An Independent Board Committee had been formed to advise the Independent Shareholders of the Company in respect of the Subscription and the Connected Transaction. Ample Capital Limited had been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in such regard.

The Subscribers agreed to subscribe for and the Company agreed to issue and allot 270,000,000 shares at the Subscription Price of HK$0.30 per share. The Subscription Shares represent approximately 93.67% of the existing issued share capital of the Company and approximately 48.37% of the issued share capital of the Company as enlarged by the Subscription. All the new subscribed shares were issued on 5 November 2008, 6 November 2008 and 7 November 2008 respectively. The Company received the gross proceeds of HK$81,000,000. The proceeds will be used for business expansion and general working capital purposes.

On 22 January 2009, the Company announced a proposed Share Subdivision and Change of Board Lot Size. In the Announcement, the Board proposed that each of the issued and unissued Existing Share of HK$0.10 each in the share capital of the Company be subdivided into two (2) Subdivided Shares of HK$0.05 each and, upon the Share Subdivision becoming effective, the board lot size of the Shares will be changed from 4,000 Existing Shares to 16,000 Subdivided Shares.

At the extraordinary general meeting of the Company held on 13 February 2009, the Share Subdivision and Change of Board Lot Size were duly passed by the Shareholders and following the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting the listing of, and permission to deal in, the Subdivided Shares, the Share Subdivision and Change of Board Lot Size becoming effective on 16 February 2009 and the authorised share capital of the Company remains at HK$200,000,000 divided into 4,000,000,000 Subdivided Shares of HK$0.05 each.

Connected Transaction

On 28 August 2008, the Company entered into the Subscription Agreement with five subscribers pursuant to which the subscribers agreed to subscribe for and the Company agreed to issue and allot 270,000,000 shares at the Subscription Price of HK$0.30 per share.

The Subscription Shares represent approximately 93.67% of the existing issued share capital of the Company and approximately 48.37% of the issued share capital of the Company as enlarged by the Subscription. The entire net proceeds from the Subscription amounts to approximately HK$81 million and will be used for business expansion and general working capital purposes.

The Subscribers are Mr. Li Song Xiao, Mr. Yuan Kun, Mr. Lu Zhao Qun, Mr. Xu Xiao Yang and Mr. Jia Bo Wei. To the best of the Directors' knowledge, information and belief, having made all reasonable enquires, Mr. Jia Bo Wei is an independent third party and is not related to any of the other subscribers. Each of Messrs. Yuan Kun and Xu Xiao Yang being a Director and Mr. Lu Zhao Qun being an ex-director who resigned on 21 April 2009 and Mr. Li Song Xiao being a Director and substantial shareholder of the Company, is a connected person of the Company but they are not related to each other. Accordingly, the Subscription constitutes a connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee has been formed to advise the Independent Shareholders of the Company in respect of the Subscription and the Connected Transaction. Ample Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in such regard.

CONTINGENT LIABILITIES

At the balance sheet date, the Company gave corporate guarantees for banking facilities of HK$105,320,000 (2008: HK$211,315,000) granted to certain subsidiaries. The maximum liability of the Company at the balance sheet date under the guarantees issued was the facilities utilized by the subsidiaries totalling HK$31,903,000 (2008: HK$53,865,000). The directors do not consider it probable that a claim will be made against the Company.

CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 March 2009, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, save for the following deviations from the code provisions:

Code provision A.1.1 stipulates that Board meetings should be held at least four times a year at approximately quarterly intervals. There were twelve Board meetings held during the year under review, two of which were regular meetings held for approving the final results for the year ended 31 March 2008 and interim results for the period ended 30 September 2008 respectively. The other Board meetings were held as and when the business and operational needs arose.

Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. At present, the Company does not have any officer with the titled of "Chief Executive Officer" and the Chairman of the Board provide overall leadership for the Board and the Group's business. The daily management is delegated to the executive directors and the senior management. The Board shall review its structure from time to time to ensure appropriate action is being taken should suitable circumstances arise.

Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. There is no service contract between the Company and Mr. Yin Jie, the former non-executive director who has resigned on 2 September 2008, Mr. Gao Ling, Mr. Cui Yong and Mr. Zhang Qing Lin, the independent non-executive directors. They were not appointed for any specific length of service with the Company. Although the non-executive director and independent non-executive directors do not have a specific term of appointment, all directors of the Company are subject to retirement by rotation once every three years in accordance with the Company's Articles of Association.

Code provision E.1.2 stipulates that the Chairman should attend the annual general meeting. Mr. Li Song Xiao, Chairman of the Board, was unable to attend the 2008 annual general meeting due to business engagement, but Mr. Lu Zhao Qun, an ex-executive director who resigned on 21 April 2009, has been delegated to attend and answer questions on his behalf at the annual general meeting. Mr. Li will use his endeavours to attend all future shareholders' meetings of the Company.

Code provision E.1.2 also stipulates that the chairman of the independent Board committee should be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval. The Chairman of the independent Board committee was unable to attend the Extraordinary General Meeting held on 10 October 2008 in relation to a connected transaction due to business engagement, but a member of the senior management has been delegated to attend and answer questions on his behalf at this meeting. Arrangement will be made for the Chairman of the independent Board committee to be available to answer questions at all future general meetings at which a connected transaction or any other transaction is required to be approved by the independent shareholders.

SUSPENSION OF TRADING

At the request of the Company, trading on the Stock Exchange in the shares (stock code: 646) of the Company was suspended with effect from 9:30 a.m. on 20 March 2009 pending the release of an announcement in respect of certain price-sensitive information. Trading in the shares of the Company will remain suspended.

The Company will continue to work closely with the Stock Exchange on an announcement with respect to matters which led to the Company's suspension of trading of its securities and is seeking the resumption of trading of its shares as soon as practicable.

By order of the Board
Li Song Xiao
Chairman

Hong Kong, 22 July 2009

As at the date of this announcement, the Executive Directors of the Company are Mr. Li Song Xiao, Mr. Yuan Kun, Ms. Song Xuan and Mr. Xu Xiao Yang; and the Independent Non-Executive Directors of the Company are Mr. Gao Ling, Mr. Cui Yong and Mr. Zhang Qing Lin.