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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 2010

FINANCIAL AND OPERATION HIGHLIGHTS

	2009/10	2008/09	Percentage Change
	HK$'000	*HK$'000*	*%*
Turnover	**147,311**	189,357	(22.2)
Profit/(loss) attributable to owners of the Company	**3,740**	(14,810)	—
Earnings/(loss) per share	**HK0.17 cents**	(HK0.94 cents)	—

The board (the "Board") of directors (the "Directors") 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 2010, together with the comparative figures for 2009. The financial information set out in this announcement below does not constitute the Group's statutory financial statements for the year ended 31 March 2010, 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 2010

	Note	2010 HK$'000	2009 HK$'000
Turnover	3	**147,311**	189,357
Cost of sales		**(108,729)**	(147,867)
Gross profit		**38,582**	41,490
Other revenue	5(a)	**1,130**	1,140
Other net income/(expenses)	5(b)	**5,891**	(2,383)
Distribution costs		**(11,246)**	(20,114)
Administrative expenses		**(31,896)**	(33,404)
Net surplus on revaluation of leasehold land and buildings		**739**	505
Valuation gain/(loss) on investment properties		**4,040**	(870)
PROFIT/(LOSS) FROM OPERATIONS		**7,240**	(13,636)
Finance costs	6(a)	**(262)**	(1,019)
PROFIT/(LOSS) BEFORE TAXATION	6	**6,978**	(14,655)
Income tax	7(a)	**(3,238)**	(172)
PROFIT/(LOSS) FOR THE YEAR		**3,740**	(14,827)
Attributable to:			
Owners of the Company		**3,740**	(14,810)
Minority interests		**—**	(17)
PROFIT/(LOSS) FOR THE YEAR		**3,740**	(14,827)
EARNINGS/(LOSS) PER SHARE *(HK cents)*	9		
— Basic (2009: restated)		**0.17**	(0.94)
— Diluted (2009: restated)		**0.17**	(0.94)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2010

	2010	2009
	HK$'000	*HK$'000*
Profit/(loss) for the year	**3,740**	(14,827)
Other comprehensive income/(loss) for the year		
Exchange differences on translation of financial statements of PRC subsidiaries	**260**	448
Revaluation surplus on leasehold land and buildings	**3,195**	466
Total other comprehensive income, net of tax	**3,455**	914
Total comprehensive income/(loss) for the year, net of tax	**7,195**	(13,913)
Attributable to:		
Owners of the Company	**7,195**	(13,896)
Minority interest	**—**	(17)
	7,195	(13,913)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2010

	Note	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Interest in leasehold land held for own use under operating leases		**1,075**	1,090
Property, plant and equipment		**31,538**	47,618
Investment properties		**28,630**	5,890
Goodwill		**—**	—
Deferred tax assets		**—**	242
		61,243	54,840
CURRENT ASSETS			
Trading securities		**32,203**	26,385
Inventories		**8,196**	22,314
Trade and other receivables	10	**56,519**	79,987
Current taxation recoverable		**105**	105
Pledged bank deposits		**381**	11,717
Cash and cash equivalents		**102,079**	119,230
		199,483	259,738
CURRENT LIABILITIES			
Trade and other payables	11	**53,679**	116,695
Bank loans and overdrafts		**333**	2,231
Obligations under finance leases		**—**	396
Current taxation		**2,358**	256
Provision for warranty		**1,874**	692
		58,244	120,270
NET CURRENT ASSETS		**141,239**	139,468
TOTAL ASSETS LESS CURRENT LIABILITIES		**202,482**	194,308
NON-CURRENT LIABILITIES			
Bank loans		**3,550**	3,883
Obligations under finance leases		**—**	66
Deferred tax liabilities		**3,299**	2,450
Provision for warranty		**529**	—
		7,378	6,399
NET ASSETS		**195,104**	187,909
CAPITAL AND RESERVES			
Share capital		**55,825**	55,825
Reserves		**139,279**	132,084
TOTAL EQUITY		**195,104**	187,909

NOTES

For the year ended 31 March 2010

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 2010 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.

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

The Group has adopted the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") that are first effective for the current accounting period.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 which is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HK(IFRIC) — Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) — Int 13	Customer Loyalty Programmes
HK(IFRIC) — Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) — Int 18	Transfers of Assets from Customers

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

The amendments to HKAS 23 and HKFRS 2 and Interpretations HK(IFRIC) 15 and HK(IFRIC) 16 have had no material impact on the Group's financial statements as the amendments and interpretations were consistent with policies already adopted by the Group. The impact of the remainder of these developments is as follows:

- HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management, and has resulted in additional reportable segments being identified and presented. Corresponding amounts have been provided on a basis consistent with the revised segment information.

- As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognized as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

- As a result of the adoption of the amendments to HKFRS 7, the financial statements include expanded disclosures about the fair value measurement of the Group's financial instruments, categorizing these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Group has taken advantage of the transitional provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

- As a result of amendments to HKAS 40, Investment property, investment property which is under construction will be carried at fair value at the earlier of when the fair value first becomes reliably measurable and the date of completion of the property. Any gain or loss will be recognised in profit or loss, consistent with the policy adopted for all other investment properties carried at fair value. Previously such property was carried at cost until the construction was completed, at which time it was fair valued with any gain or loss being recognized in profit or loss. As the Group does not currently have any investment property under construction, this change in policy has no impact on net assets or profit or loss for any of the periods presented.

- The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2009, all dividends receivable from subsidiaries, associates and jointly controlled entities, whether out of pre- or post-acquisition profits, will be recognised in the Company's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

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.

	2010	2009
	HK$'000	*HK$'000*
Sales of goods	**131,512**	161,679
Service income	**11,923**	25,206
Commission income	**3,876**	2,472
	147,311	189,357

4. SEGMENT REPORTING

Operating segments are identified on the basis of internal reports which provides information about components of the Group. These information are reported to and reviewed by the chief operating decision-makers ("CODM") for the purposes of resource allocation and performance assessment.

The CODM consider the business from both geographic and product perspective. Geographically, management considers the performance of the segments in Hong Kong, other parts of mainland China and Europe separately.

The Group has presented the following four reportable segments. These segments are managed separately. The aviation, metro and railway equipment segment, vehicles and spare parts segment, dredging equipment segment and provision of engineering services segment offers very different products and services.

1. Aviation, metro and railway equipment

2. Vehicles and spare parts

3. Dredging equipment

4. Provision of engineering services

The aviation, metro and railway equipment segment derives its revenue from sales of train and track maintenance equipment and airport ground support equipment.

The vehicles and spare parts segment derives its revenue from sales of coaches, trucks and spare parts of bus.

The dredging equipment segment derives its revenue from sales of components of dredging equipment.

The provision of engineering services segment provides warranty and maintenance services and after-sales services.

No reportable operating segment has been aggregated.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Groups's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment profit/(loss) represents the profit earned by/(loss) from each segment without allocation of central administration costs such as directors' salaries, investment income and finance costs. This is the measure reported to the CODM for purposes of resource allocation and performance assessment. Taxation charge/(credit) is not allocated to reportable segment.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of assets attributable to those segments.

The revenue from external parties reported to the CODM is measured in a manner consistent with that in the income statement.

All assets are allocated to reportable segments other than tax recoverable, trading securities and corporate assets. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

All liabilities are allocated to reportable segments other than current and deferred tax liabilities and corporate liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

An analysis of the Group's reportable segment is reported below.

	Aviation, metro and railway equipment		Vehicles and spare parts		Dredging equipment		Provision of engineering services		Others		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue												
Revenue from external customers	**75,066**	98,770	**36,232**	38,700	**24,258**	18,748	**11,755**	23,577	**—**	9,562	**147,311**	189,357
Reportable segment (loss)/profit before taxation	**(1,432)**	(1,333)	**(2,665)**	(5,976)	**1,815**	1,530	**1,548**	7,304	**(304)**	(264)	**(1,038)**	1,261
Interest income	**74**	412	**9**	33	**—**	3	**5**	72	**1**	4	**89**	524
Finance cost	**51**	625	**—**	—	**16**	136	**—**	—	**—**	—	**67**	761
Depreciation and amortisation	**1,571**	1,451	**12**	19	**7**	7	**204**	317	**—**	12	**1,794**	1,806
(Reversal)/write-down of inventories	**(1,136)**	1,201	**1,615**	1,010	**342**	—	**971**	—	**—**	—	**1,792**	2,211
(Reversal)/impairment loss on												
— trade receivables	**(174)**	1,487	**353**	—	**—**	—	**(3)**	448	**—**	—	**176**	1,935
— Goodwill	**—**	—	**—**	—	**—**	—	**—**	—	**—**	332	**—**	332
Reportable segment assets	**109,616**	164,409	**24,149**	7,553	**2,936**	6,184	**8,705**	15,336	**—**	1,842	**145,406**	195,324
Additions to non-current assets (other than financial assets and deferred tax assets)	**18**	498	**69**	66	**—**	—	**1**	1	**—**	—	**88**	565
Reportable segment liabilities	**37,059**	93,467	**11,916**	10,788	**1,843**	8,343	**3,052**	3,108	**—**	70	**53,870**	115,776

b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other items

	2010	2009
	HK$'000	*HK$'000*
Profit/(loss)		
Reportable segments' (loss)/profit	**(1,038)**	1,261
Other revenue and net income/(expense)	**10,923**	(1,864)
Depreciation and amortisation	**(1,634)**	(1,784)
Finance costs	**(195)**	(258)
Valuation gain/(loss) on investment properties	**4,040**	(870)
Net surplus on revaluation of leasehold land and buildings	**739**	505
Unallocated head office and corporate expenses	**(5,857)**	(11,645)
Consolidated profit/(loss) before tax expense	**6,978**	(14,655)

	2010	2009
	HK$'000	*HK$'000*
Assets		
Reportable segments' assets	**145,406**	195,324
Unallocated		
— tax recoverable	**105**	105
— deferred tax	**—**	242
— trading securities	**32,203**	26,385
— cash and cash equivalents	**69,385**	91,302
— corporate assets	**13,627**	1,220
Consolidated total assets	**260,726**	314,578

	2010	2009
	HK$'000	*HK$'000*
Liabilities		
Reportable segments' liabilities	**53,870**	115,776
Unallocated		
— current tax liabilities	**2,358**	256
— deferred tax liabilities	**3,299**	2,450
— bank loans and overdrafts	**3,883**	5,500
— obligations under finance leases	**—**	462
— corporate liabilities	**2,212**	2,225
Consolidated total liabilities	**65,622**	126,669

Other items	Aviation, metro and railway equipment		Vehicles and spare parts		Dredging equipment		Provision of engineering services		Others		Unallocated		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Interest income	**74**	412	**9**	33	**—**	3	**5**	72	**1**	4	**13**	97	**102**	621
Finance cost	**51**	625	**—**	—	**16**	136	**—**	—	**—**	—	**195**	258	**262**	1,019
Depreciation and amortisation	**1,571**	1,451	**12**	19	**7**	7	**204**	317	**—**	12	**1,634**	1,784	**3,428**	3,590
Valuation gain/(loss) on investment properties	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**4,040**	(870)	**4,040**	(870)
Net surplus on revaluation of leasehold land and buildings	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**739**	505	**739**	505
Additions to non-current assets (other than financial assets and deferred tax assets)	**18**	498	**69**	66	**—**	—	**1**	1	**—**	—	**1,140**	1,048	**1,228**	1,613

c) Revenue from major product and services

The following is an analysis of the Group's revenue from its major products and services:

	2010	2009
	HK$'000	*HK$'000*
Railway equipment	**71,191**	96,974
Dredging equipment	**24,258**	18,747
Vehicles parts	**22,483**	42,633
Coaches	**13,690**	4,954
Warranty maintenance and after-sales services	**15,689**	26,049
	147,311	189,357

d) Geographical information

The following is an analysis of geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets. The geographical location of customers is refers to the location at which the services were provided or the goods delivered. The Group's non-current assets include fixed assets, intangible assets and goodwill. The geographical location of property, plant and equipment is based on the physical location of the asset under consideration. In the case of intangible assets and goodwill, it is based on the location of operation to which these intangibles are allocated.

	Revenues from external customers		Non-current assets	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**29,759**	34,673	**40,935**	33,011
Mainland China	**91,721**	135,654	**20,308**	21,587
Europe	**25,831**	18,789	**—**	—
Others	**—**	241	**—**	—
	147,311	189,357	**61,243**	54,598

e) Information about major customers

Revenues from customers contributing 10% or more of the total sales of the Group are as follows:

	2010	2009
	HK$'000	*HK$'000*
Customer A — revenue from railway equipment — PRC	**28,125**	—
Customer B — revenue from dredging equipment — Europe	**25,737**	18,721
Customer C — revenue from metro equipment — PRC	**25,492**	13,819
Customer D — revenue from railway equipment — PRC	**—**	11,277
Customer E — revenue from bus parts — PRC	**14,371**	23,474
Customer F — revenue from vehicles equipment — Hong Kong	**12,251**	—

5. OTHER REVENUE AND OTHER NET INCOME/(EXPENSES)

	2010	2009
	HK$'000	*HK$'000*
(a) Other revenue		
Interest income on bank deposits	**102**	621
Total interest income on financial assets not at fair value through profit or loss	**102**	621
Gross rental income from investment properties	**590**	432
Dividend income from listed securities	**2**	1
Others	**436**	86
	1,130	1,140
(b) Other net income/(expenses)		
Reversal of impairment losses on trade receivables	**267**	—
Impairment loss on goodwill	**—**	(332)
Net exchange (loss)/gain	**(424)**	1,560
Net loss on disposal of property, plant and equipment	**(34)**	(43)
Net gain/(loss) on sale of trading securities	**175**	(10)
Net unrealised gain/(loss) on trading securities carried at fair value	**5,907**	(3,558)
	5,891	(2,383)

6. PROFIT/(LOSS) BEFORE TAXATION

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

		2010	2009
		HK$'000	*HK$'000*
a)	**Finance costs**		
	Interest on bank borrowings wholly repayable within five years	**98**	846
	Interest on bank borrowings not wholly repayable within five years	**102**	120
	Finance charges on obligations under finance leases	**62**	53
	Total interest expenses on financial liabilities not at fair value through profit or loss	**262**	1,019
b)	**Staff costs (including directors' emoluments)**		
	Salaries, wages and other benefits	**24,369**	27,857
	Contributions to defined contribution retirement plans	**884**	1,543
		25,253	29,400
c)	**Other items**		
	Amortisation of land lease premium	**24**	24
	Cost of inventories	**96,674**	135,029
	Depreciation		
	— assets held for own use under finance leases	**354**	354
	— other assets	**3,050**	3,212
	Increase/(decrease) in provision for warranty	**1,711**	(490)
	Impairment loss on trade and other receivables	**443**	1,935
	Impairment loss on goodwill	**—**	332
	Write-down of inventories	**1,792**	2,211
	Auditor's remuneration		
	— audit services	**911**	916
	— other services	**40**	40
	Net gain from fair value changes of derivative financial instruments	**—**	(9)
	Operating lease charges in respect of properties:		
	— minimum lease payments	**2,754**	2,663
	Gross rental income from investment properties	**(590)**	(432)
	Direct operating expenses arising from		
	— investment properties that generated rental income	**13**	—
	— investment properties that did not generate rental income	**23**	27
		36	27

7. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

a) Income tax in the consolidated income statement represents:

	2010	2009
	HK$'000	*HK$'000*
Current tax		
Hong Kong profits tax	**721**	151
PRC enterprise income tax	**2,294**	334
	3,015	485
Over-provision in respect of prior years		
Hong Kong profits tax	**—**	(296)
	3,015	189
Deferred tax		
Current year	**223**	(21)
Attributable to a change in tax rate	**—**	4
	223	(17)
Total	**3,238**	172

Hong Kong Profits Tax is calculated at 16.5% (2009: 16.5%) on the estimated assessable profits 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 50% relief for the three years thereafter. The tax exemption period had been expired. Yardway Zhuhai is subject to a preferential tax rate of 18%, 20%, 22%, 24% and 25% for the calendar years of 2008, 2009, 2010, 2011 and 2012, respectively.

Yardway Advance Power Equipment (Beijing) Co Ltd ("Yardway Beijing") is a foreign investment enterprise subject to PRC Enterprise Income Tax at 25%.

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 mainland China 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 mainland China effective 1 January 2008. A lower withholding tax rate may be applied if there is a tax treaty arrangement between mainland China and the jurisdiction of the foreign enterprise investors.

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

Deferred tax liabilities of HK$184,000 (2009: HK$127,000) have not been recognised, as the Company controls the dividend policy of the subsidiaries in mainland China and it has been determined that it is probable that certain of the profits earned by the Group's subsidiaries in mainland China since 1 January 2008 will not be distributed in the foreseeable future.

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

	2010	2009
	HK$'000	*HK$'000*
Profit/(loss) before taxation	**6,978**	(14,655)
Notional tax on profit/(loss) before taxation, calculated at the rates applicable to profit/(loss) in the tax jurisdictions concerned	**1,172**	(2,291)
Tax effect of non-deductible expenses	**1,990**	2,190
Tax effect of non-taxable income	**(108)**	(418)
Tax effect of unused tax losses not recognised	**589**	1,411
Tax effect of utilization of unused tax losses not recognised in prior years	**(405)**	(428)
Increase in opening of deferred tax liability resulting from a change in tax rate	**—**	4
Over provision in prior years	**—**	(296)
Actual tax expense	**3,238**	172

c) **The tax charge relating to each component of other comprehensive income is as follows:**

	2010			2009		
	Before-tax amount	**Tax charge**	**Net-of-tax amount**	Before-tax amount	Tax charge	Net-of-tax amount
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Exchange differences on translation of financial statements of overseas subsidiaries	**260**	**—**	**260**	448	—	448
Revaluation surplus on leasehold land and buildings	**4,053**	**(858)**	**3,195**	2,076	(1,610)	466
	4,313	**(858)**	**3,455**	2,524	(1,610)	914

8. DIVIDENDS

The Board does not recommend the payment of any dividend for the year ended 31 March 2010 (2009: Nil).

9. EARNINGS/(LOSS) PER SHARE

a) Basic earnings/(loss) per share

The calculation of the basis earnings/(loss) per share is based on the profit attributable to owners of the Company of HK$3,740,000 (2009: loss of HK$14,810,000) and the weighted average number of 2,232,992,000 ordinary shares (2009: 1,582,252,000 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 2010 has accounted for the share sub-division which was effective from 1 March 2010. The corresponding number of ordinary shares of 2009 has been retrospectively adjusted to reflect the said share sub-division.

b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share equals to the basic earnings/(loss) per share as there were no potential dilutive ordinary shares outstanding for both years presented.

10. TRADE AND OTHER RECEIVABLES

		The Group	
		2010	2009
	Note	***HK$'000***	*HK$'000*
Trade receivables	(a)	**29,739**	50,474
Retentions receivable	(b)	**12,582**	12,319
Other receivables		**10,393**	1,510
Loans and receivables		**52,714**	64,303
Derivative financial instruments:			
— foreign currency forward contracts		**—**	40
Prepayments and deposits		**3,805**	15,644
		56,519	79,987

All of the trade and other receivables apart from 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$2,612,000 (2009: HK$3,074,000) with the following ageing analysis as of the end of the reporting period:

	The Group	
	2010	2009
	HK$'000	*HK$'000*
Current	**20,616**	23,046
1 to 3 months past due	**6,112**	11,325
More than 3 months but less than 12 months past due	**2,952**	11,430
More than 12 months past due	**59**	4,673
	29,739	50,474

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 receivables 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	
	2010	2009
	HK$'000	*HK$'000*
At beginning of the year	**3,074**	1,139
Reversal of impairment	**(267)**	—
Impairment loss recognised *(note)*	**443**	1,935
Uncollectible amount written off	**(648)**	—
Exchange difference	**10**	—
At end of the year	**2,612**	3,074

Note:

As at 31 March 2010, trade receivables of the Group amounting to HK$2,612,000 (2009: HK$3,074,000) were individually determined to be impaired and impairment loss of the full amount had been recognised. These individually impaired receivables were outstanding for over one year as at the end of the reporting period 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 receivables that are neither individually nor collectively considered to be impaired are as follows:

	The Group	
	2010	2009
	HK$'000	*HK$'000*
Neither past due nor impaired	**20,616**	23,046
1 to 3 months past due	**6,112**	11,325
3 to 12 months past due	**2,952**	11,430
More than 1 year past due	**59**	4,673
	29,739	50,474

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent 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) Retentions receivable

Retentions receivable 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$9,634,000 (2009: HK$7,810,000).

11. TRADE AND OTHER PAYABLES

	The Group	
	2010	2009
	HK$'000	*HK$'000*
Trade and bills payables	**34,648**	78,091
Other payables and accruals	**13,156**	11,558
Amount due to a related company	**374**	—
Financial liabilities measured at amortised cost	**48,178**	89,649
Derivative financial instruments:		
— foreign currency forward contracts	**—**	64
Sales deposits received	**5,501**	26,982
	53,679	116,695

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 Nil (2009: HK$669,000).

The amount due to a related company is unsecured, interest free and repayable on demand.

The following is an age analysis of the trade and bills payables as at the end of the reporting period.

	The Group	
	2010	2009
	HK$'000	*HK$'000*
Due within 1 month or on demand	**21,710**	35,667
Due after 1 month but within 3 months	**2,831**	5,093
Due after 3 months but within 6 months	**7**	9,192
Due after 6 months but within 1 year	**3,917**	6,887
Due after 1 year	**349**	—
	28,814	56,839
Bills payable	**2,207**	17,380
Retentions payable	**3,627**	3,872
	34,648	78,091

SCOPE OF WORK OF CCIF CPA LIMITED

The figures in respect of the announcement of the Group's results for the year ended 31 March 2010 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, 28 July 2010 to Friday, 30 July 2010, 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 Friday, 30 July 2010, 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, 27 July 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the year ended 31 March 2010, the Group recorded a turnover of approximately HK$147,311,000, representing a decrease of about 22.2% compared to that of 2009. The Group turned loss to profit with its profit attributable to owners of the Company of approximately HK$3,740,000 (2009: loss of HK$14,810,000). Gross profit margin was approximately 26.2% as compared to 21.9% in last year.

Business Review

For the year ended 31 March 2010, distribution costs of the Group amounted to approximately HK$11,246,000 (2009: HK$20,114,000). Administrative expenses of the Group for the year amounted to approximately HK$31,896,000 (2009: HK$33,404,000), representing a decrease of approximately 4.5% as compared with last year.

Prospects

With timely stimulus measures implemented by the Chinese government, the Chinese economy becomes one of the first to recover from the global financial turmoil. Confronting with complex and volatile external operating environment, the Group will adhere to the strategy guidelines and strive to turn challenges into opportunities, overcome various difficulties, and achieve stable and healthy business development in 2010.

The new management structure implemented in January 2010, has further strengthened and enriched the capability of the Group. China will continue to be the leading engine of growth for the global economy. The Group will focus on the development directions of the Great China to find new opportunities seeking stable growth, improving profitability through business restructuring, deepening reforms and strengthening internal control.

On 12 April 2010, the Company made an announcement for the acquisition of a waste water processing project. The Directors consider that with huge population base, China is far from water abundant. Based on the information from the Ministry of Water Resources of the PRC (中華人民共和國水利部), water resource available is only 2,200 cubic meters per capita in China compared with the average global water availability of 8,800 cubic meters per capita. With the population in China expected to grow, current water shortages may be exacerbated. To address water shortages and natural water resource pollution attributable to rapid growth in population, urbanization and industrialization in China, the Chinese government has been promulgating stricter environmental standards and invested significantly in water treatment projects to promote sustainable economic growth. Accordingly, the demand for water treatment infrastructure is expected to experience rapid growth. The Company will concentrate to the environmental technology in relation with the waste water processing business.

Employees and Remuneration Policy

As at 31 March 2010, the Group had 95 employees (2009: 111 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 2010, cash and bank balances including pledged fixed deposits of the Group were HK$102,460,000 (2009: HK$130,947,000). The cash and bank balances consisted of about 69.4% in Hong Kong dollars, 16.3% in US dollars, 7.1% in Renminbi, 6.7% in Euro, and 0.5% in other currencies.

As at 31 March 2010, the Group had total assets of HK$260,726,000 (2009: HK$314,578,000) and total liabilities of HK$65,622,000 (2009: HK$126,669,000). As at 31 March 2010, the current ratio was 3.42 (2009: 2.16), calculated on the basis of current assets of HK$199,483,000 (2009: HK$259,738,000) over current liabilities of HK$58,244,000 (2009: HK$120,270,000).

The Group's bank borrowings amounted to HK$3,883,000 (2009: HK$6,114,000). The Group's borrowings, denominated in Hong Kong dollars and United States dollars, mainly comprise mortgage loans bearing floating interest rates. The Group's gearing ratio, being the ratio of the total borrowings to total assets, was 1.5% (2009: 1.9%).

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 2010, certain of the Group's land and buildings and investment properties with an aggregate carrying value amounting to HK$20,000,000 (2009: HK$16,200,000) and bank deposits of HK$381,000 (2009: HK$11,717,000) were pledged with banks to secure banking facilities granted to the Group. Included in pledged bank deposits are denominated in RMB334,000 (2009: RMB4,461,000) which are pledged by the Group's wholly owned subsidiary in Zhuhai, the PRC.

SHARE CAPITAL

On 26 January 2010, the Company announced that each of the issued and unissued existing share of the Company of HK$0.05 each ("Existing Shares") in the share capital of the Company be subdivided ("Shares Subdivision") into two (2) subdivided shares of HK$0.025 each ("Subdivided Shares") and the board lot size of the shares of the Company be changed from 16,000 Existing Shares to 8,000 Subdivided Shares.

At the extraordinary general meeting of the Company held on 1 March 2010, the Share Subdivision was duly passed by the shareholders of the Company (the "Shareholders"). 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 2 March 2010 and the authorised share capital of the Company remains at HK$200,000,000 divided into 8,000,000,000 Subdivided Shares of HK$0.025 each. Since 2 March 2010 and up to the date of this announcement, the total number of issued shares of the Company was 2,232,992,000.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year ended 31 March 2010. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year ended 31 March 2010 (2009: Nil).

CONTINGENT LIABILITIES

At 31 March 2010, the Company gave corporate guarantees for banking facilities of HK$21,958,000 (2009: HK$105,320,000) granted to certain subsidiaries. The maximum liability of the Company at 31 March 2010 under the guarantees issued was the facilities utilized by the subsidiaries totalling HK$10,493,000 (2009: HK$31,903,000). The directors do not consider it probable that a claim will be made against the Company.

SUBSEQUENT EVENTS

On 9 April 2010, the Company entered into an agreement to purchase 100% equity interest in Fanhe (Beijing) Water Investment Co., Ltd ("Fanhe Water") at a total consideration of HK$55,000,000. Fanhe Water is an investment holding company and its subsidiary, Fanhe (Hulu Island) Water Investment Co., Ltd ("Fanhe Hulu"), is engaged in sewage treatment business in mainland China pursuant to a Build-Operate-Transfer contract ("BOT contract") dated 23 April 2010. According to the BOT contract, Fanhe Hulu was granted the concessionary operating rights for a period of 30 years in respect of a waste water processing project ("Waste Water Processing Project") in Hulu Island City. In addition, Fanhe Hulu has to make commitment in the BOT Project which involves in expansion and upgrade the effluent standard of the Waste Water Processing Project. In return for constructing, operating and maintaining the BOT Project and providing sewage treatment services, Fanhe Hulu will receive sewage treatment fees from the Finance Bureau of Hulu Island City. The acquisition was completed on 27 April 2010.

As at the date of this announcement, the Group has not finalized the fair value assessment for the acquiree's identifiable assets, liabilities and contingent liabilities as at the date of acquisition.

CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 March 2010, 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, 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 twenty-three 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 2009 and interim results for the period ended 30 September 2009 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 title of "Chief Executive Officer". The Chairman of the Board provides 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 of the CG Code 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. Ge Ze Min, the non-executive Director, Mr. Wong Kam Wah, Dr. Zhu Nan Wen and Mr. Gao Ling, 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 ("Articles").

Code provision E.1.2 stipulates that the Chairman should attend the annual general meeting. Mr. Li Song Xiao, the former Chairman of the Board, was unable to attend the 2009 annual general meeting due to business engagement, but Mr. Xu Xiao Yang, an executive Director, has been delegated to attend and answer questions on his behalf at the 2009 annual general meeting.

PROPOSED AMENDMENTS TO THE ARTICLES AND ADOPTION OF RESTATED MEMORANDUM AND ARTICLES OF ASSOCIATION

The Board proposed to make certain amendments to the Company's Articles with the aim of facilitating the giving of book closure notice and also corporate communication with the Shareholders. A restated Memorandum and Articles of Association which incorporates all previous amendments and the above proposed amendments will also be adopted. The related resolutions will be put forth for Shareholders' approval at the forthcoming annual general meeting. An explanation of the effect of the proposed amendments and the full terms of the proposed amendments to the Articles will be set out in the circular to the Shareholders to be sent together with the Annual Report for the year ended 31 March 2010.

By order of the Board
Xu Zhong Ping
Chairman

Hong Kong, 22 June 2010

As at the date of this announcement, the executive Directors are Mr. Xu Zhong Ping, Mr. Zhang Fang Hong, Ms. Song Xuan and Mr. Xu Xiao Yang; the non-executive Director is Mr. Ge Ze Min and the independent non-executive Directors are Mr. Gao Ling, Mr. Wong Kam Wah and Dr. Zhu Nan Wen.