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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

INTERIM RESULTS

The Board of Directors (the “Board”) of Yardway Group Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2010 together with the comparative figures for the corresponding period in 2009. The interim results for the six months ended 30 September 2010 have been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2010

		Six months ended 30 September	
	<i>Note</i>	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Turnover	3	89,233	93,314
Cost of sales/services		<u>(70,171)</u>	<u>(68,734)</u>
Gross profit		<u>19,062</u>	<u>24,580</u>
Other revenue	4	556	572
Other net income	4	28,702	5,669
Distribution costs		(3,918)	(6,683)
Administrative expenses		<u>(20,168)</u>	<u>(15,220)</u>
Profit from operations		24,234	8,918
Finance costs	5a	<u>(115)</u>	<u>(157)</u>
Profit before taxation	5	24,119	8,761
Income tax	6	<u>(1,108)</u>	<u>(641)</u>
Profit for the period		<u>23,011</u>	<u>8,120</u>

		Six months ended	
		30 September	
	<i>Note</i>	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Other comprehensive income:			
Exchange differences on translation to presentation currency		<u>3,311</u>	<u>—</u>
Other comprehensive income for the period		<u>3,311</u>	<u>—</u>
Total comprehensive income for the period		<u>26,322</u>	<u>8,120</u>
Total comprehensive income attributable to the Owners of the Company		<u>26,322</u>	<u>8,120</u>
Earnings per share	8		
Basic		<u>1.03 cents</u>	<u>0.36 cents</u>
Diluted		<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2010

		At 30 September 2010 HK\$'000 (unaudited)	At 31 March 2010 HK\$'000 (audited)
	Note		
Non-current assets			
Interest in leasehold land held for own use under operating leases		1,086	1,075
Property, plant and equipment		30,840	31,538
Investment properties		28,630	28,630
Intangible assets		93,169	—
		<u>153,725</u>	<u>61,243</u>
Current assets			
Trading securities		20,878	32,203
Inventories		5,672	8,196
Trade and other receivables	10	87,089	56,519
Current taxation recoverable		—	105
Pledged bank deposits	11	390	381
Cash and cash equivalents	11	70,544	102,079
		<u>184,573</u>	<u>199,483</u>
Current liabilities			
Trade and other payables	12	83,826	53,679
Bank loans and overdrafts		401	333
Current taxation		2,050	2,358
Provision for warranty		2,061	1,874
		<u>88,338</u>	<u>58,244</u>
Net current assets		<u>96,235</u>	<u>141,239</u>
Total assets less current liabilities		249,960	202,482
Non-current liabilities			
Bank loans and overdrafts		9,599	3,550
Deferred tax liabilities		3,323	3,299
Provision for warranty		532	529
		<u>13,454</u>	<u>7,378</u>
NET ASSETS		<u>236,506</u>	<u>195,104</u>
CAPITAL AND RESERVES			
Share capital	13	56,762	55,825
Reserves		179,744	139,279
TOTAL EQUITY		<u>236,506</u>	<u>195,104</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The unaudited condensed financial statements should be read in conjunction with the Annual Report of the Group for the year ended 31 March 2010.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

The accounting policies adopted in the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2010. In the current interim period, the Group has applied for the first time, a number of new and revised standards, amendments and interpretations (“New or revised HKFRSs”) issued by HKICPA which are effective for the financial year beginning on 1 April 2010.

Significant accounting policies newly adopted by the Group

HKFRS 1 (Revised)	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i>
HKFRS 1 Amendments	<i>Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards — Additional Exemptions for First-time Adopters</i>
HKFRS 2 Amendments	<i>Amendments to HKFRS 2 Share-based Payment — Group Cash-settled Share-based Payment Transactions</i>
HKFRS 3 (Revised)	<i>Business Combinations</i>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i>
HKAS 32 Amendment	<i>Amendment to HKAS 32 Financial Instruments: Presentation — Classification of Rights Issues</i>
HKAS 39 Amendment	<i>Amendment to HKAS 39 Financial Instruments: Recognition and Measurement — Eligible Hedged Items</i>
HK(IFRIC) — Int 17	<i>Distributions of Non-cash Assets to Owners</i>
Amendments to HKFRS 5 included in Improvements to HKFRSs issued in October 2008	<i>Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations — Plan to Sell the Controlling Interest in a Subsidiary</i>
HK Interpretation 4 (Revised in December 2009)	<i>Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases</i>
Improvements to HKFRSs 2009	<i>Amendments to a number of HKFRSs</i>

The adoption of the above accounting policies had no material effect on the results and financial position for the current or prior accounting periods which have been prepared and presented. Accordingly, no prior period adjustment has been recognised.

3. SEGMENT REPORTING

Business segments

The Group comprises the following main business segments:

1. Sewage treatment operation
2. Aviation, metro and railway equipment
3. Vehicles and spare parts
4. Dredging equipment
5. Provision of engineering services

The sewage treatment operation derives its revenue from sewage treatment under build-operate-transfer (“BOT”) contract.

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.

(a) Segment results

	Segment revenue		Segment profit (loss)	
	Six months ended		Six months ended	
	30 September		30 September	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sewage treatment operation	7,795	0	43,447	0
Aviation, metro and railway equipment	62,991	50,274	1,971	2,752
Vehicles and spare parts	9,728	18,911	(650)	(604)
Dredging equipment	3,342	19,563	(310)	2,276
Provision of engineering services	5,377	4,566	1,842	703
Others	0	0	0	(117)
	<u>89,233</u>	<u>93,314</u>	<u>46,300</u>	<u>5,010</u>

(b) Reconciliation of segment profit to profit before taxation is as follows:

	Six months ended 30 September	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Segment profit	46,300	5,010
Unallocated items		
Other revenue and net income (expense)	(11,009)	6,778
Depreciation and amortisation	(745)	(953)
Finance costs	0	(125)
Unallocated head office and corporate expenses	(10,427)	(1,949)
Profit before taxation	<u>24,119</u>	<u>8,761</u>

4. OTHER REVENUE AND OTHER NET INCOME

	Six months ended 30 September	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Other revenue		
Interest income on bank deposits	<u>47</u>	<u>74</u>
Total interest income on financial assets not at fair value through profit and loss	47	74
Gross rental income from investment properties	493	150
Dividend income from listed securities	—	2
Others	<u>16</u>	<u>346</u>
	<u>556</u>	<u>572</u>
Other net income		
Net exchange gain/(loss)	400	(274)
Net (loss)/gain on disposal of property, plant and equipment	(256)	23
Net gain on sale of trading securities	186	44
Net unrealised (loss)/gain on trading securities carried at fair value	(11,325)	5,876
Gain from a bargain purchase	39,676	—
Others	<u>21</u>	<u>—</u>
	<u>28,702</u>	<u>5,669</u>

5. PROFIT BEFORE TAXATION

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

	Six months ended 30 September	
	2010	2009
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(a) Finance costs:		
Interest on bank advances and bank borrowings repayable within five years	59	78
Interest on bank advances and bank borrowings repayable after five years	56	52
Finance charges on obligations under finance leases	—	27
	<u>115</u>	<u>157</u>
(b) Staff costs (including Director's remuneration):		
Contribution to defined contribution retirement plans	582	662
Salaries, wages and other benefits	9,795	12,793
	<u>10,377</u>	<u>13,455</u>
(c) Other items:		
Amortisation of land lease premium	12	12
Cost of inventories	67,896	61,850
Depreciation		
— assets held for own use under finance leases	—	177
— other assets	1,558	1,646
Impairment losses on trade and other receivables	—	387
Net gain on forward exchange contract	—	(257)
Operating lease charges in respect of properties	1,752	1,322
Rentals from investment properties less direct outgoings of \$18,000 (six months ended 30 September 2009: \$7,000)	(475)	(143)
	<u>(475)</u>	<u>(143)</u>

6. INCOME TAX

	Six months ended 30 September	
	2010	2009
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax — Hong Kong Profits Tax		
Tax for the period	105	380
Current tax — PRC	1,003	261
Deferred tax	—	—
	<u>1,108</u>	<u>641</u>

The provision for Hong Kong Profits Tax for the period ended 30 September 2010 is calculated at 16.5%. PRC taxation is charged at the appropriate current rate of taxation ruling in the PRC.

7. INTERIM DIVIDEND

The Directors do not recommend any interim dividend for the six months ended 30 September 2010 (2009: Nil).

8. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$23,011,000 (six months ended 30 September 2009: HK\$8,120,000) and the weighted average number of 2,233,196,918 ordinary shares (six months ended 30 September 2009: 2,232,992,000 ordinary shares) in issue during the period. The weighted average number of ordinary shares in issue for the six months ended 30 September 2009 and 2010 has been retrospectively adjusted for the effect of the share sub-division on 13 February 2009 and 1 March 2010.

(b) Diluted earnings per share

There were no potential dilutive ordinary shares in issue during the six months ended 30 September 2009 and 2010.

9. MOVEMENTS IN INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT, AND INTANGIBLE ASSETS

The Directors are of the opinion that the carrying value of the Group's investment properties as at 30 September 2010 is not materially different from the fair value of the investment properties. Accordingly, no valuation movement has been recognised in respect of the Group's investment properties during the period.

During the six months ended 30 September 2010, the Group acquired items of plant and equipment with a cost of HK\$670,000 (six months ended 30 September 2009: HK\$182,000). Items of property, plant and equipment with a net book value of HK\$416,000 were disposed of during the six months ended 30 September 2010 (six months ended 30 September 2009: HK\$31,000), resulting in a loss on disposal of HK\$256,000 (six months ended 30 September 2009: gain of HK\$23,000).

In addition, the Group acquired intangible assets of HK\$92,454,000 on a provisional fair value basis arising from acquisition of subsidiaries.

10. TRADE AND OTHER RECEIVABLES

	30 September 2010 HK\$'000 (unaudited)	31 March 2010 HK\$'000 (audited)
Trade receivables	63,898	29,739
Retentions receivables	17,214	12,582
Other receivables	—	10,393
Receivables	81,112	52,714
Prepayments and deposits	5,977	3,805
	87,089	56,519

All of the trade and other receivables apart from certain retentions receivable are expected to be recovered within one year.

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

Included in trade and other receivables are trade and bills receivables (net of impairment losses for bad and doubtful debts) with the following ageing analysis at the end of the reporting period.

	30 September 2010 HK\$'000 (unaudited)	31 March 2010 HK\$'000 (audited)
Current	58,490	20,616
1 to 3 months overdue	4,941	6,112
More than 3 months overdue but less than 12 months overdue	289	2,952
More than 12 months overdue	178	59
	<u>63,898</u>	<u>29,739</u>

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

11. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	30 September 2010 HK\$'000 (unaudited)	31 March 2010 HK\$'000 (audited)
Pledged bank deposits	390	381
Cash and bank balances	<u>70,544</u>	<u>102,079</u>
	70,934	102,460
Less: Pledged bank deposits	<u>(390)</u>	<u>(381)</u>
Cash and cash equivalents in the consolidated statement of financial position	70,544	102,079
Bank overdrafts	<u>—</u>	<u>—</u>
Cash and cash equivalents in the consolidated statement of cash flows	<u>70,544</u>	<u>102,079</u>

12. TRADE AND OTHER PAYABLES

	30 September 2010 <i>HK\$'000</i> (unaudited)	31 March 2010 <i>HK\$'000</i> (audited)
Trade and bills payables	69,289	34,648
Other payables and accruals	11,968	13,156
Amount due to a related company	699	374
Financial liabilities measured at amortised cost	81,956	48,178
Sales deposits received	1,870	5,501
	83,826	53,679

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

Included in trade and other payables are trade and bills payables with the following ageing analysis at the end of the reporting period.

	30 September 2010 <i>HK\$'000</i> (unaudited)	31 March 2010 <i>HK\$'000</i> (audited)
Due within 1 month or on demand	62,742	21,710
Due after 1 month but within 3 months	242	2,831
Due after 3 months but within 6 months	—	7
Due after 6 months but within 1 year	—	3,917
Due after 1 year	—	349
	62,984	28,814
Bills payable	—	2,207
Retention payables	6,305	3,627
	69,289	34,648

13. SHARE CAPITAL

	No. of shares ('000)	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.025 each	8,000,000	200,000
Issued and fully paid:		
Ordinary shares		
At 1 April 2010	2,232,992	55,825
Issue of shares upon acquisition	37,500	937
At 30 September 2010	2,270,492	56,762

The Group operates a share option scheme for eligible Directors and employees of the Group. During the period, 64,500,000 share options were granted. At 30 September 2010, the number of outstanding share options are 64,500,000 (31 March 2010: Nil).

14. OPERATING LEASE COMMITMENTS

(a) As lessee

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

At 30 September 2010, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	30 September 2010 HK\$'000 (unaudited)	31 March 2010 HK\$'000 (audited)
Within 1 year	2,526	3,046
After 1 year but within 5 years	1,138	—
	3,664	3,046

(b) As lessor

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

At 30 September 2010, the total future minimum lease receipts under non-cancellable operating leases are as follows:

	30 September 2010 HK\$'000 (unaudited)	31 March 2010 HK\$'000 (audited)
Within 1 year	762	710
After 1 year but within 5 years	212	507
	<u>974</u>	<u>1,217</u>

15. CAPITAL COMMITMENTS

At 30 September 2010, the Company has no capital commitments outstanding.

16. CONTINGENT LIABILITIES

At 30 September 2010, the Group had undertaken to guarantee certain banking facilities granted to certain subsidiaries to the extent of HK\$18,007,000 (31 March 2010: HK\$10,493,000).

As at the end of the reporting period, the Directors do not consider it probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at the end of the reporting period under the guarantees issued is the facilities drawn down by the subsidiaries totaling HK\$28,075,000 (31 March 2010: HK\$21,958,000).

17. ACQUISITION OF SUBSIDIARIES

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 BOT contract dated 23 April 2010.

	Acquiree's carrying amount before combination <i>HK\$'000</i>	Fair value adjustment <i>HK\$'000</i>	Provisional fair value <i>HK\$'000</i>
Property, plant and equipment	191	—	191
Intangible assets	—	92,454	92,454
Other receivables	570	—	570
Cash and cash equivalents	4,421	—	4,421
Other payables and accruals	(2,960)	—	(2,960)
Total net assets identified	2,222	92,454	94,676
Gain from a bargain purchase			39,676
Total consideration			55,000
Satisfied by			
Cash			40,000
Issue of consideration shares			15,000
			55,000

Analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries:

	<i>HK\$'000</i>
Cash consideration paid	(40,000)
Cash and cash equivalents in subsidiaries acquired	4,421
Cash outflow on acquisition of subsidiaries	(35,579)

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. The relevant fair value of net assets acquired stated above is on a provisional basis and may be subject to significant changes in future period when these valuations have been finalized.

18. POST BALANCE SHEET EVENT

Share transaction and connected transaction

On 9 November 2010, Winsum Investment Limited as purchaser (“Purchaser”) (being a wholly-owned subsidiary of the Company) and Mr. Xu Zhong Ping and Mr. Lee Ho Fu, Honcy as vendors (“Vendors”) entered into an acquisition agreement (“Acquisition Agreement”), pursuant to which the Purchaser has agreed to acquire and the Vendors have agreed to sell the entire issued capital of, and shareholders loan to, Power Score Limited (“Target Company”). The Target Company is the ultimate parent company of a PRC company (“PRC Company”), namely, Beijing Jingrui Kemai Water Purification Technology Co., Ltd. (北京精瑞科邁淨水技術有限公司), which is the owner of certain registered patents and patents under application (“Relevant Patents”).

The consideration (“Consideration”) for the acquisition is initially RMB10 million (equivalent to approximately HK\$11,668,000) which shall be satisfied by the allotment and issue of 17,467,066 new shares of the Company at an issue price of HK\$0.668 per share, subject to the terms and conditions in the Acquisition Agreement. The Consideration is subject to upward adjustment with reference to the net profits after tax and before revaluation or amortization of any of the Relevant Patents of the PRC Company. Pursuant to such adjustment, the Company shall allot and issue up to an additional 69,868,263 shares at an issue price of HK\$0.668 per share.

Mr. Xu Zhong Ping being one of the vendors is a connected person by virtue of his being a Director and a substantial shareholder holding through Gentle International Holdings Limited approximately 52.85% of the issued share capital of the Company as at 9 November 2010. As such, the acquisition constitutes a connected transaction on the part of the Company under Chapter 14A of the Listing Rules.

Reasons for and benefits of the acquisition

The principal activities of the Group are trading of vehicles, machinery, equipment, yachts, spare parts and provision of engineering services. The Group has since September 2010 begun a new line of business of developing environmental technology in relation to waste water processing.

As mentioned in the Company’s announcement dated 12 April 2010, the Directors consider that with a huge population base, the PRC is far from water abundant. Water resource available is only 2,200 cubic meters per capita in the PRC compared with the average global water availability of 8,800 cubic meters per capita. With the population in the PRC expected to grow, current water shortages may be exacerbated. To address severe water shortages and natural water resource pollution attributable to rapid growth in population, urbanization and industrialization in the PRC, the PRC government has enacted stricter environmental standards and invested significantly in water treatment projects to promote sustainable economic growth. Accordingly, the demand for water treatment infrastructure has experienced and is expected to continue to experience rapid growth.

Since September 2010, following the completion of the acquisition of Fanhe (Beijing) Water Investment Co., Ltd., the Group has been carrying on, under certain BOT contract, sewage treatment-related business. The Relevant Patents are technologies which are instrumental to the sewage treatment business planned to be carried on by the Group.

Based on the above and the potential growth of the sewage treatment industry, the Board is of the view that the acquisition of the Target Company and its subsidiaries will allow the Group to use the Relevant Patents, which will enable the Group to have a solid technology foundation to capture the rapid growth of sewage treatment business in the PRC and hence, will enhance the Group’s long term profitability and the said acquisition is in the interests of the Company and its shareholders as a whole.

Please refer to the announcement of the Company dated 9 November 2010 for details of the above transaction.

MANAGEMENT DISCUSSION AND ANALYSIS

Results and Business Review

During the six months ended 30 September 2010, the Group recorded a decline in total turnover of 4% to HK\$89,233,000 (2009 : HK\$93,314,000). Profit attributable to equity holder increased by 183% to HK\$23,011,000 (2009 : HK\$8,120,000) as compared with corresponding period last year.

During the reporting period, the sewage treatment business generated income with the amount of HK\$7,795,000. When the expansion and upgrade is completed, the sewage treatment fee will be increased from the existing RMB0.70/ton to RMB0.97/ton. The sewage treatment income will be increased accordingly.

Future Outlook

Under the leadership of the Board, the Group has diversified from its original principal businesses to include water treatment business. Following the completion of the acquisition of Fanhe (Beijing) Water Investment Co., Ltd. in September 2010, the Group has been carrying on, under BOT contract, sewage treatment-related business. The proposed acquisition of Beijing Jingrui Kemai Water Purification Technology Co. Ltd is expected to further enable the Group to lay a solid technology foundation to capture the rapid growth of the environmental protection technology business in China. The Group may source funds from internally or externally for its future development.

In China, the foreseeable inflationary pressures may lead to a tightened monetary policy. Meanwhile, efforts to change in the approach of economic growth and adjust the economic structure in China will be increased. Progress in energy saving and emission reduction and robustness of the environmental protection industry in China will be favourable factors for further development of the water industry. Water resources available per capita in China is only 2,200 cubic meters, compared with the global average of 8,800 cubic meters per capita. Moreover, the expected population growth in China would further exacerbate current water shortages. To address severe water shortages and natural water resource pollution in China, the government has enacted stricter environmental protection standards and invested significantly in water treatment projects to promote sustainable economic growth. The establishment of an environmental protection alliance and the actualization stage of regional governance may call forth the emergence of large environmental conglomerate enterprises. The environmental changes demand higher requirements for corporate capabilities of the water industry, indicating the coexistence of opportunities and challenges in the water industry in the coming years.

Facing the opportunities and challenges of development in the industry, and remarkable room for growth of income from sewage treatment business, the Group will continue its strategies for this growing business, uphold its organizational mission of raising sewage treatment business quality, and apply great efforts in achieving fast growth on the basis of capability enhancement and value creation. The organizational mission will expand both in its content and external reach, focusing more on sewage treatment business with target on the industry chain of the water industry. The Group will also be led by technology enhancement, striving to realize the state of a concentric and diversified development, for creating the maximum value for shareholders.

Employees and Remuneration Policy

The total number of employees of the Group as at 30 September 2010 was 138 (31 March 2010: 95). 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 option 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. The packages are reviewed annually by the management and the Remuneration Committee.

Liquidity

The Group continued to maintain a liquid position. As at 30 September 2010, cash and bank balances including pledged bank deposits of the Group were HK\$70,934,000 (31 March 2010: HK\$102,460,000). The cash and bank balances consisted of about 15% in Hong Kong dollars, 49% in Renminbi, 25% in United States dollars and 11% in other currencies.

As at 30 September 2010, the Group had total assets of HK\$338,298,000 (31 March 2010: HK\$260,726,000) and total liabilities of HK\$101,792,000 (31 March 2010: HK\$65,622,000). As at 30 September 2010, the current ratio was 2.09 (31 March 2010: 3.42).

The Group's bank borrowings amounted to HK\$10,000,000 (31 March 2010: HK\$3,883,000). The Group's borrowings, denominated in Hong Kong dollars, United States dollars and Euro, mainly comprise trust receipt loans and mortgage loans bearing floating interest rates. The Group's gearing ratio, based on the total borrowings to total assets, was 3.0% (31 March 2010: 1.5%).

Foreign Exchange Exposure and Hedging

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

Charge on Assets

As at 30 September 2010, the Group's land and buildings with an aggregate carrying value amounting to HK\$20,000,000 (31 March 2010: HK\$20,000,000) and bank deposits of HK\$390,000 (31 March 2010: HK\$381,000) were pledged with the banks to secure banking facilities granted to the Group. Included in pledged bank deposits are denominated in RMB334,000 (31 March 2010: RMB334,000) which were pledged by the Group's wholly owned subsidiary in Zhuhai, the PRC.

PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period under review.

CORPORATE GOVERNANCE

The Company recognises the importance of good corporate governance to the Company's healthy growth and has devoted considerable efforts to identifying and formulating corporate governance practices appropriate to the Company's needs.

The Company has complied with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules, throughout the six months ended 30 September 2010 except for the code provisions in respect of A.2.1 and A.4.1. Details of the deviations from code provisions A.2.1 and A.4.1 of CG Code in respect of the separate roles of chairman and chief executive officer and service term of the non-executive Directors respectively are set out in the section "Corporate Governance Report" on page 19 of the 2010 Annual Report. However, in line with the expansion and development of the Company and in order to comply with code provision A.2.1, Mr. Zhang Fang Hong has been appointed as the chief executive officer of the Company with effect from 12 August 2010.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct in respect of Directors' dealings in the Company's securities. Specific enquiry has been made of all the Directors who have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 September 2010.

AUDIT COMMITTEE

The Company's audit committee is composed of the three independent non-executive Directors of the Company. The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial statements for the six months ended 30 September 2010.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules as at the date of this interim report.

PROPOSED CHANGE OF COMPANY NAME

On 29 September 2010, the Company announced that, subject to the approval of its shareholders in an extraordinary general meeting and the approval by the Registrar of Companies in the Cayman Islands, the name of the Company shall be changed from "Yardway Group Limited 啟帆集團有限公司" to "China Environmental Technology Holdings Limited 中國環保科技控股有限公司". The Board considered that the proposed change of Company name will provide the Company with a more appropriate identification of the gradually growing business of the Group and the direction of the Group's future business development. A circular containing, inter alia, details of this proposed change of Company name will be despatched to the Company's shareholders in due course.

PUBLICATION OF INTERIM RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

The interim report of the Company containing all information required by the Listing Rules will be published on the website of the Stock Exchange (www.hkex.com.hk) in due course.

ACKNOWLEDGEMENT

The Board would like to take this opportunity to thank our shareholders, the management and our staff members for their dedication and support.

By order of the Board
Xu Zhong Ping
Chairman

Hong Kong, 23 November 2010

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