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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Yardway Group Limited (the “**Company**”), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)**

**PROPOSED SUBDIVISION OF SHARES  
AND  
CHANGE OF BOARD LOT SIZE**

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A letter from the board of directors of the Company is set out on page 3 to 7 of this circular. A notice convening an extraordinary general meeting of the Company to be held at 35th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Monday, 1 March 2010 at 11:00 a.m. is set out on page 8 to 9 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof to Tricor Standard Limited, the Company's branch share registrars in Hong Kong, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish and in such event, the proxy shall be deemed to be revoked.

9 February 2010

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## EXPECTED TIMETABLE

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*The expected timetable for the implementation of the Share Subdivision and the relevant trading arrangements are as follows:*

2010

Last time for lodging form of proxy for use at the EGM . . . . .	11:00 a.m. on Saturday, 27 February
Date of EGM. . . . .	11:00 a.m. on Monday, 1 March
Publication of announcement in relation to the Share Subdivision becoming effective (if so) . . . . .	Monday, 1 March

*The following events are conditional on all such conditions as set out in the section headed “Conditions of the Share Subdivision” are satisfied.*

Effective date of the Share Subdivision . . . . .	Tuesday, 2 March
Dealings in Subdivided Shares commence . . . . .	9:30 a.m. on Tuesday, 2 March
Original counter for trading in existing Shares in board lots of 16,000 Shares temporarily closes . . . . .	9:30 a.m. on Tuesday, 2 March
Temporary counter for trading in board lots of 32,000 Subdivided Shares (in the form of Existing Share Certificates) opens . . . . .	9:30 a.m. on Tuesday, 2 March
First day of free exchange of Existing Share Certificates for New Share Certificates. . . . .	Tuesday, 2 March
Original counter for trading in Subdivided Shares in new board lots of 8,000 Subdivided Shares (in the form of New Share Certificates) re-opens. . . . .	9:30 a.m. on Tuesday, 16 March
Designated matching agent to stand in the market to provide matching services. . . . .	9:30 a.m. on Tuesday, 16 March
Parallel trading in Subdivided Shares (in the form of New Share Certificates and Existing Share Certificates) commences . . . . .	9:30 a.m. on Tuesday, 16 March
Parallel trading in Subdivided Shares (in the form of New Share Certificates and Existing Share Certificates) ends . . . . .	4:00 p.m. on Thursday, 8 April

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## EXPECTED TIMETABLE

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Temporary counter for trading in board lots  
of 32,000 Subdivided Shares (in the form of  
Existing Share Certificates) closes . . . . . 4:00 p.m. on Thursday, 8 April

Designated matching agent ceases to stand  
in the market to provide matching services. . . . . 4:00 p.m. on Thursday, 8 April

Last day for free exchange of Existing Share  
Certificates for New Share Certificates. . . . . Wednesday, 14 April

*The above expected timetable is subject to change by the Company. The Company will  
make further announcement if there are any changes to the expected timetable.*

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“Board”	the board of Directors
“business day”	any days (other than Saturdays) on which licensed banks in Hong Kong are open for business during their normal business hours
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	Yardway Group Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Stock Exchange
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held on Monday, 1 March 2010 at 11:00 a.m. for the purpose of considering and (if thought fit) approving, among other matters (if any), the Share Subdivision, the notice of which is set out on page 8 to 9 of this circular, and any adjournment thereof
“Existing Share Certificates”	the form of share certificates of the existing Shares
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	4 February 2010, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Share Certificates”	the form of share certificates of the Subdivided Shares
“Option(s)”	option(s) granted or to be granted under the Share Option Scheme to subscribe for Shares in accordance with the terms and conditions of the Share Option Scheme

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## DEFINITIONS

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“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company, each to be subdivided into two Subdivided Shares
“Shareholder(s)”	holder(s) of the Shares
“Share Option Scheme”	the share option scheme adopted by the Company on 28 March 2002 pursuant to which options to subscribe for Shares in the Company may be granted to eligible participants after the listing of the Shares on the Stock Exchange
“Share Subdivision”	the proposed subdivision of each issued and unissued Share having a par value of HK\$0.05 into two Subdivided Shares having a par value of HK\$0.025 each
“Share Subdivision Effective Date”	the date on which the Share Subdivision becomes effective, which is currently expected to be 2 March 2010
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subdivided Share(s)”	ordinary share(s) of HK\$0.025 each in the share capital of the Company upon the Share Subdivision becoming effective
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.



**YARDWAY GROUP LIMITED**

**啟帆集團有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 646)**

*Executive Directors:*

Mr. Xu Zhong Ping (*Chairman*)

Ms. Song Xuan

Mr. Xu Xiao Yang

Mr. Zhang Fang Hong

*Registered office:*

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Non-executive Director:*

Mr. Ge Ze Min

*Head office and principal place of  
business in Hong Kong:*

Unit 1605A

16th Floor, Office Tower

Convention Plaza

No. 1 Harbour Road

Wanchai

Hong Kong

*Independent non-executive Directors:*

Mr. Gao Ling

Mr. Wong Kam Wah

Dr. Zhu Nan Wen

9 February 2010

*To the Shareholders*

Dear Sir/Madam

**PROPOSED SUBDIVISION OF SHARES  
AND  
CHANGE OF BOARD LOT SIZE**

**INTRODUCTION**

The Directors announced on 26 January 2010 that a proposal would be put forward to Shareholders for their approval at the EGM the Share Subdivision.

The purpose of this circular is to give you with further information regarding the Share Subdivision and the related change of board lot size, and to give you the notice of the EGM at which the necessary resolution for approving the Share Subdivision will be proposed.

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## LETTER FROM THE BOARD

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### THE PROPOSED SHARE SUBDIVISION AND CHANGE OF BOARD LOT SIZE

The Board proposes that each of the existing issued and unissued Shares having a par value of HK\$0.05 in the capital of the Company be subdivided into two (2) Subdivided Shares having a par value of HK\$0.025 each in the capital of the Company. The Shares are currently traded in board lots of 16,000 Shares each on the Stock Exchange. Upon the Share Subdivision becoming effective, the Subdivided Shares will be traded in board lots of 8,000 Subdivided Shares each. No odd lot will be resulted from the Share Subdivision and change of board lot size.

#### Conditions of the Share Subdivision

The Share Subdivision is conditional upon:

- (a) Shareholders at the EGM having passed an ordinary resolution approving the Share Subdivision; and
- (b) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subdivided Shares and any Subdivided Shares which may be issued upon exercise of any Options granted or to be granted under the Share Option Scheme.

The Share Subdivision shall become effective on the Stock Exchange trading day immediately after the conditions mentioned above are fulfilled. The Share Subdivision Effective Date is currently expected to be 2 March 2010.

#### Reasons for the Share Subdivision and change of board lot size

Based on the average closing prices as quoted on the Stock Exchange for the five Stock Exchange trading days ended the Latest Practicable Date which amounted to about HK\$0.814 per Share and assuming that the Share Subdivision became effective on that date, (a) the trading price for each new board lot of 8,000 Subdivided Shares will be about HK\$3,200 (and not less than HK\$2,000); and (b) the aggregate trading price for each new board lot of 8,000 Subdivided Shares will be less than the aggregate trading price of the existing board lot of 16,000 Shares by about 75%. The Board believes the Share Subdivision will improve the liquidity in trading of shares of the Company and thereby would attract more investors and widen the Shareholders' base. Given the prevailing market conditions, a more liquid market will provide more flexibility for investors to buy and sell shares in the Company. Accordingly, the Board considers that the Share Subdivision and change of board lot size are in the interests of the Company and the Shareholders as a whole.

Save for the costs incurred by the Company in implementing the Share Subdivision and change of board lot size, the Share Subdivision will not alter the underlying assets, business operations, management or financial position of the Group or the proportional interests of the Shareholders. The Board considers that the Share Subdivision and the change of board lot size will not have any material adverse effect on the financial position of the Group.

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## LETTER FROM THE BOARD

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### Share Capital of the Company

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$200,000,000 divided into 4,000,000,000 Shares, of which 1,116,496,000 Shares were in issue and fully paid or credited as fully paid. Assuming no further Shares will be issued or repurchased after the Latest Practicable Date and up to (and including) the date of the EGM, immediately upon the Share Subdivision becoming effective, the authorised share capital of the Company will be HK\$200,000,000 divided into 8,000,000,000 Subdivided Shares, of which 2,232,992,000 Subdivided Shares will be in issue and fully paid or credited as fully paid.

The Subdivided Shares will rank *pari passu* in all respects among themselves and the Share Subdivision will not result in any change in the relative rights of the Shareholders.

### SHARE CERTIFICATES

The Existing Share Certificates will only be valid for delivery, trading and settlement purpose for the period up to 4:00 p.m. on Thursday, 8 April 2010 and thereafter will not be accepted for delivery, trading and settlement purpose. However, the Existing Share Certificates will continue to be good evidence of title to the Subdivided Shares on the basis of one Share for two Subdivided Shares and may be exchanged for the New Share Certificates (i) free of charge at any time between Tuesday, 2 March 2010 and Wednesday, 14 April 2010 (both days inclusive); or (ii) upon payment of a prescribed fee of HK\$2.50 (or such amount as may from time to time be determined by the Stock Exchange) per share certificate at any time after Wednesday, 14 April 2010. It is expected that New Share Certificates will be available for collection within a period of 10 business days after submission of the Existing Share Certificates.

The colour of the New Share Certificates will be in water blue in order to be distinguished from the Existing Share Certificates which are in orange.

### ARRANGEMENT ON ODD LOT TRADING

No odd lot will be resulted from the Share Subdivision and change of board lot size. The Company, on a voluntary basis, has appointed Oriental Patron Securities Limited to provide, during the period from Tuesday, 16 March 2010 to Thursday, 8 April 2010 (both days inclusive), matching service (on a best effort basis) to those Shareholders who wish to acquire odd lots of the Subdivided Shares to make up a full board lot, or to dispose of any of their holding of odd lots of the Subdivided Shares. Holders of odd lots of Subdivided Shares who wish to take advantage of this trading facility may, directly or through their brokers, contact Mr. Raymond Ng of Oriental Patron Securities Limited at (852) 2842 5862 or at Suites 2701-3, 2705-8, 27/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong during the period from Tuesday, 16 March 2010 to Thursday, 8 April 2010 (both days inclusive). Shareholders should note that successful matching of the sale and purchase of odd lots of the Subdivided Shares is not guaranteed. Any Shareholder, who is in any doubt about the odd lot facility, is recommended to consult his/her/its own professional advisers.

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## LETTER FROM THE BOARD

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### LISTING AND DEALINGS

An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Subdivided Shares and any new Subdivided Shares which may fall to be issued upon the exercise of any Options granted or to be granted under the Share Option Scheme.

The issued Shares are listed and dealt in on the main board of the Stock Exchange. No equity or debt securities of the Company are listed or dealt in any other stock exchange nor is listing or permission to deal in such securities on any other exchange being or proposed to be sought.

Subject to the granting of the listing of, and permission to deal, in the Subdivided Shares on the Stock Exchange, the Subdivided Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Subdivided Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Shareholders should seek the advice of their stockbrokers or other professional advisers for details of the above settlement arrangements and how such arrangement will affect their rights and interests.

Subject to the Share Subdivision becoming effective, dealings in the Subdivided Shares are currently expected to commence on Tuesday, 2 March 2010.

### EGM

Set out on page 8 to 9 of this circular is a notice convening the EGM to consider and, if appropriate, to approve the ordinary resolution relating to the proposal for the Share Subdivision.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof to Tricor Standard Limited, the Company's branch share registrar in Hong Kong, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event, the proxy shall be deemed to be revoked.

In compliance with the Listing Rules, the above ordinary resolution will be voted on by way of poll at the EGM.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the Share Subdivision is in the interests of the Company and its Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Share Subdivision.

### RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

### GENERAL

The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

By order of the Board  
**Yardway Group Limited**  
**Xu Zhong Ping**  
*Chairman*



**YARDWAY GROUP LIMITED**

**啟帆集團有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 646)**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of Yardway Group Limited (the “**Company**”) will be held at 35th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Monday, 1 March 2010 at 11:00 a.m. for the purposes of considering and, if thought fit, passing, with or without modification, the following ordinary resolution:

**ORDINARY RESOLUTION**

“**THAT** conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting or agreeing to grant the listing of, and permission to deal in, the Subdivided Shares (as defined in paragraph (a) of this Resolution below) and any new Subdivided Shares which may fall to be issued pursuant to the exercise of any options which may be granted under the share option scheme adopted by the Company on 28 March 2002:

- (a) with effect from 9:30 a.m. (Hong Kong time) on the business day (not being a Saturday) immediately after the passing of this Resolution, each of the issued and unissued ordinary shares having a par value of HK\$0.05 in the capital of the Company be and it is hereby subdivided into two ordinary shares having a par value of HK\$0.025 each (the “**Subdivided Shares**”); and
- (b) the directors of the Company be and they are hereby authorised generally to do all such acts and things as they consider necessary or expedient in connection with the subdivision of shares as referred to in paragraph (a) above.”

By order of the Board  
**Yardway Group Limited**  
**XU Zhong Ping**  
*Chairman*

Hong Kong, 9 February 2010

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## NOTICE OF EGM

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*Registered office:*  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*Head office and principal place of  
business in Hong Kong:*  
Unit 1605A  
16th Floor, Office Tower  
Convention Plaza  
No. 1 Harbour Road  
Wanchai  
Hong Kong

### Notes:

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or, if he is holder of more than one share, more than one proxy to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A proxy need not be a member of the Company.
2. In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, at Tricor Standard Limited, the Company's branch share registrar in Hong Kong, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting.
3. In the case of a corporation, the form of proxy must be executed either under its common seal or under the hand of some officers or attorney duly authorized in that behalf.
4. In the case of joint registered holders of any Shares, any one of them may vote at the meeting, either personally or by proxy, in respect of such Shares as if he/she was solely entitled thereto; but if more than one of such joint registered holders be present at the meeting, either personally or by proxy, that one of them so present whose name stands first on the register of members in respect of such Shares shall be accepted to the exclusion of the votes of the other joint registered holders.
5. Completion and return of the form of proxy will not preclude a member from attending and voting in person at the meeting, if he so wishes. If such member attends the meeting, his form of proxy will be deemed to have been revoked.
6. As at the date of this notice, the executive Directors of the Company are Mr. Xu Zhong Ping, Ms. Song Xuan, Mr. Xu Xiao Yang and Mr. Zhang Fang Hong; the independent non-executive Directors of the Company are Mr. Gao Ling, Mr. Wong Kam Wah and Dr. Zhu Nan Wen; and the non-executive Director of the Company is Mr. Ge Ze Min.