

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2001

## 1 Basis of Presentation and Accounting Policies

The Company was incorporated as an exempted company with limited liabilities in the Cayman Islands on 10 September 1998 under the Companies Law (1998 Revision) of the Cayman Islands. The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 12 July 2001.

Following a group reorganisation scheme which was completed during the current period to rationalise the structure of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") in preparation for the listing of the Company's shares on the Stock Exchange, the Company became the holding company of the Group. Details of the reorganisation were set out in the prospectus of the Company dated 29 June 2001.

The Group, resulting from the above-mentioned reorganisation, is regarded as a continuing entity. Accordingly, the financial statements of the Group have been prepared on the basis as if the Company had always been the holding company of the Group.

The condensed financial statements have been prepared in accordance with the requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Hong Kong Statement of Standard Accounting Practice No. 25 "Interim financial reporting" ("SSAP 25") issued by the Hong Kong Society of Accountants, except that comparative figures are not presented for the condensed cash flow statement, as the Company has taken advantage of the transitional provisions set out in Appendix 16 of the Listing Rules.

The basis of preparation and principal accounting policies adopted in the preparation of the condensed interim financial statements are consistent with those adopted in the accountants' report of the Group as set out in the prospectus of the Company dated 29 June 2001, except that the Group has changed its accounting policies on proposed dividend following the adoption of the revised Hong Kong Statement of Standard Accounting Practice No. 9 "Events After the Balance Sheet Date" ("SSAP 9") issued by the Hong Kong Society of Accountants which has become effective for accounting period commencing on or after 1 January 2001. In accordance with the revised SSAP 9, the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively so that the proposed final dividend amounting to HK\$24,901,000 previously recorded as a current liability as at 31 December 2000 has been restated and shown under capital and reserves.

## 2 Segmental Information

The Group's turnover and contribution to profit from operating activities for the six months ended 30 June 2001 and 2000, analysed by principal activities and by geographical locations, are as follows:

	Turnover		Contribution to profit from operating activities	
	Six months ended		Six months ended	
	30.6.2001	30.6.2000	30.6.2001	30.6.2000
	(Consolidated)	(Combined)	(Consolidated)	(Combined)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>By principal activities:</b>				
Sales of goods	257,772	259,629	24,073	28,470
Provision of motor repair and maintenance services	65,290	75,373	6,704	8,650
Provision of other motor-related services	17,281	-	(170)	(70)
Interest income in respect of provision of hire purchase financing	873	1,286	705	1,123
	<u>341,216</u>	<u>336,288</u>	<u>31,312</u>	<u>38,173</u>
<b>By geographical locations:</b>				
Taiwan	183,234	177,835	21,668	23,045
Hong Kong	142,180	137,754	8,388	16,330
Mainland China	15,802	20,699	1,256	(1,202)
	<u>341,216</u>	<u>336,288</u>	<u>31,312</u>	<u>38,173</u>

## 3 Profit from Operating Activities

Profit from operating activities for the current period has been arrived at after charging depreciation of approximately HK\$2,762,000 (six months ended 30 June 2000: HK\$1,399,000) in respect of the Group's fixed assets.

#### 4 Tax

Hong Kong and Taiwan profits tax has been provided at the applicable rates on the estimated assessable profits arising in Hong Kong and Taiwan, respectively.

	<b>Six months ended 30 June</b>	
	<b>2001 (Consolidated)</b>	<b>2000 (Combined)</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Provision for the period:		
Hong Kong	200	1,883
Taiwan	4,578	5,985
Underprovision in prior year	229	—
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Tax charge for the period	<b>5,007</b>	<b>7,868</b>

#### 5 Dividends

	<b>Six months ended 30 June</b>	
	<b>2001 (Consolidated)</b>	<b>2000 (Combined)</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Special dividend paid to the shareholders of the Company as at the close of business on 31 May 2001	48,573	—
Proposed interim dividend of HK\$0.023 per share (2000: HK\$Nil)	9,373	—
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	<b>57,946</b>	<b>—</b>

#### 6 Earnings Per Share

The calculation of earnings per share is based on net profit for the period of HK\$20,059,000 (six months ended 30 June 2000: HK\$28,194,000) and on the assumption that the 300,000,000 shares in issue on 12 July 2001 after the capitalisation issue of 299,731,642 shares but prior to the new issue of 100,000,000 shares to the public pursuant to the prospectus dated 29 June 2001 issued by the Company and the subsequent issue of 7,500,000 shares pursuant to the exercise of over-allotment option as described in the prospectus had been outstanding for both periods.

There were no dilutive potential ordinary shares during both periods and therefore diluted earnings per share are not presented.

## 7 Related Party Transactions

During the six months ended 30 June 2001, the Group had the following significant related party transactions:-

	<i>Notes</i>	<b>Six months ended 30 June</b>	
		<b>2001 (Consolidated)</b>	<b>2000 (Combined)</b>
		<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (unaudited)
Sale of finished goods to a subsidiary of a substantial shareholder	(i)	64,627	27,315
Sale of finished goods to a substantial shareholder	(i)	3,123	-
Sale of a long term investment to a company beneficially owned by the Honorary Chairman	(ii)	2,322	-
Rental expense to a substantial shareholder	(iii)	<u>2,098</u>	<u>2,210</u>

### *Notes:*

- (i) The sale of goods thereto were made at prices comparable to those offered to other unrelated customers of the Group.
- (ii) The long term investment was sold at cost.
- (iii) The property rental expense was charged by reference to the rental of similar properties in the open market and was subject to review on a regular basis.

## 8 Fixed Assets

During the six months ended 30 June 2001, the Group spent approximately HK\$12,950,000 (six months ended 30 June 2000: HK\$37,002,000) on fixed assets. During the same period, the Group disposed of certain of its fixed assets with an aggregate carrying value of approximately HK\$97,000 (six months ended 30 June 2000: HK\$45,000).

## 9 Accounts Receivable

An aging analysis of the Group's accounts receivable as at the balance sheet date is as follows:

	<b>30.6.2001</b>	<b>31.12.2000</b>
	<b>(Consolidated)</b>	<b>(Combined)</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Within 3 months	135,640	58,573
Between 3 to 6 months	12,118	2,403
Between 6 to 12 months	3,280	2,859
Over 1 year	4,015	4,959
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	155,053	68,794
Less: provision	(3,104)	(2,098)
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	<b>151,949</b>	<b>66,696</b>

The Group allows an average credit period of 30 to 90 days to its trade customers. A defined credit policy is maintained within the Group.

The increase in accounts receivable was mainly due to the substantial increase in order for coaches in Taiwan during the period under review.

## 10 Accounts Payable

An aging analysis of the Group's accounts payable as at the balance sheet date is as follows:

	<b>30.6.2001</b>	<b>31.12.2000</b>
	<b>(Consolidated)</b>	<b>(Combined)</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Within 3 months	39,589	31,842
Between 3 to 6 months	3,454	1,704
Between 6 to 12 months	153	24
Over 1 year	129	120
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	<b>43,325</b>	<b>33,690</b>

## 11 Share Capital

The movements in the share capital of the Company for the six months ended 30 June 2001 are as follows:

	<b>Number of ordinary shares</b> <i>'000</i>	<b>Amount</b> <i>HK\$'000</i>
Ordinary shares of HK\$0.1 each		
Authorised:		
At beginning of the period	3,500	350
Increase pursuant to a resolution passed at an extraordinary general meeting held on 21 June 2001	<u>996,500</u>	<u>99,650</u>
At end of the period	<u><b>1,000,000</b></u>	<u><b>100,000</b></u>
Issued and fully paid:		
At beginning of the period	207	21
Issue of shares	<u>61</u>	<u>6</u>
At end of the period	<u><b>268</b></u>	<u><b>27</b></u>

On 31 January 2001, the Company allotted and issued 60,846 shares to a now substantial shareholder for a cash consideration of approximately HK\$40,265,000, credited as fully paid.

Details of changes in share capital subsequent to 30 June 2001 are set out in note 15 to the condensed financial statements.

## 12 Reserves

	<b>Share premium</b>	<b>Capital reserve</b>	<b>Exchange reserve</b>	<b>Retained profits</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2001	52,355	5,990	(6,252)	105,394	157,487
Issue of shares upon corporate reorganisation	40,259	4,492	-	(44,757)	(6)
Exchange differences	-	-	(2,493)	-	(2,493)
Profit for the period	-	-	-	20,059	20,059
Special dividend	-	-	-	(48,573)	(48,573)
Proposed dividend	-	-	-	(9,373)	(9,373)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2001	<b>92,614</b>	<b>10,482</b>	<b>(8,745)</b>	<b>22,750</b>	<b>117,101</b>

## 13 Contingent Liabilities

- (i) As at 30 June 2001, the Group has a corporate guarantee of HK\$5 million granted by a subsidiary of the Company in favour of an independent business associate relating to certain purchase arrangement between U-Drive Co. Ltd. ("U-Drive") and such independent business associate.
- (ii) As at 31 December 2000, the Group had contingent liabilities which were not provided for in the financial statements, including guarantee for banking facilities granted to a shareholder in the amount of approximately HK\$31.2 million. As at 30 June 2001, the above guarantee was released.
- (iii) As at 31 December 2000 and 30 June 2001, the Group also had contingent liabilities in respect of a defined benefit scheme for all of its employees in Taiwan. A shareholder of the Company, Forefront International Limited ("FIL"), has agreed to indemnify the Group against part of such contingent retirement scheme liabilities in respect of or in connection with those scheme payments which are payable to the employees who were transferred from FIL to the Group with effect from 1 March 1999 and which are referable to a period before 1 March 1999.

## 14 Commitments

### (i) Capital commitments

As at the balance sheet date, the Group had the following capital commitments:

	<b>30.6.2001</b> <b>(Consolidated)</b> <i>HK\$'000</i> (unaudited)	<b>31.12.2000</b> <b>(Combined)</b> <i>HK\$'000</i> (audited)
Capital commitments in respect of fixed assets:		
Contracted for	8,909	4,827
Authorised but not contracted for	—	5,025
	<u>8,909</u>	<u>9,852</u>

### (ii) Foreign currency forward contracts

	<b>30.6.2001</b> <b>(Consolidated)</b> <i>HK\$'000</i> (unaudited)	<b>31.12.2000</b> <b>(Combined)</b> <i>HK\$'000</i> (audited)
Net commitments to purchase/sell	<u>6,572</u>	<u>12,482</u>

## 15 Post Balance Sheet Events

- (i) On 11 July 2001, 100,000,000 shares of HK\$0.10 each were allotted and issued at a price of HK\$1.08 per share to the public pursuant to the prospectus issued by the Company on 29 June 2001.
- (ii) On 11 July 2001, 299,731,642 shares of HK\$0.10 each were issued pursuant to capitalisation issue as described in the prospectus issued by the Company on 29 June 2001.
- (iii) On 27 July 2001, 7,500,000 shares of HK\$0.10 each were issued at a price of HK\$1.08 per share pursuant to the exercise of over-allotment option as described in the prospectus issued by the Company on 29 June 2001.

The total number of shares in issue as at the date of this report has been increased to 407,500,000 due to the flotation exercise in July 2001, which has raised a gross proceeds of approximately HK\$116 million.