

FINANCIAL REVIEW

Results for the period

During the period under review, the Group recorded a turnover of approximately HK\$341 million, representing a slight increase of 1.5% as compared to the last corresponding period.

The profit attributable to shareholders for the period was approximately HK\$20.1 million (six months ended 30 June 2000: HK\$28.2 million), representing an approximately 29% decrease as compared to the last corresponding period. The Group's margin has been affected by the fierce price competition among competitors and also the devaluation of the NT Dollars of which our sales in Taiwan are denominated.

The substantial increase in finance cost was due to the increase in bank borrowings mainly used to finance the capital expenditure and working capital funding requirements of the Group.

Liquidity and financial resources

The Group generally finances its operations with internally generated cash flow and banking facilities provided by the bankers. As at the balance sheet date, the Group's net asset value stood at approximately HK\$127 million with total assets of approximately HK\$447 million. Net current assets were approximately HK\$61 million and current ratio stood at 1.2 times. The situation of relatively low current ratio was greatly improved after the listing of the Company's shares to 1.5 times.

Borrowings and gearing ratio

The Group's total borrowings increased from approximately HK\$131 million as at 31 December 2000 to approximately HK\$239 million as at 30 June 2001. This was due to the increase in financing working capital funding requirements. With respect to interest rate structure of the borrowings, most were in line with the Hong Kong Inter-bank Offer Rate. The gearing ratio of the Group calculated as a ratio of total bank borrowings to total assets was approximately 53%. The situation of relatively high gearing was greatly improved after the listing the Company's shares to approximately 44%.

Charge on group assets

As at 30 June 2001, the Group's borrowings and bank facilities were secured by the following:

- (i) The legal charges on certain of the Group's land and buildings with a net book value of approximately HK\$47,875,000;
- (ii) The pledge over certain of the vehicles of the Group's customers which were pledged to the Group as security for advances made by the Group to such customers;
- (iii) The pledge over certain of the Group's hire purchase receivables with a total book value of approximately HK\$10,759,000;
- (iv) The pledge of over certain of the Group's accounts receivable with a total book value of approximately HK\$24,152,000;
- (v) The charge over the Group's bank deposits of approximately HK\$13,053,000;
- (vi) The insurance policies held by a subsidiary of the Company; and
- (vii) The personal guarantees from Mr Yang Kwn San and certain of his family members and another director.

The Group has received consent in principle from the relevant banks that personal guarantees as disclosed in (vii) above will be released and/or replaced by corporate guarantees from the Company upon listing of the Company's shares on the Stock Exchange and certain of the releases have been completed and others are under process.

Apart from the above, included in the accounts receivable as at 31 December 2000 was an amount of approximately HK\$5,407,000 which was pledged to secure banking facilities granted to a shareholder of the Company. As at 30 June 2001, such balance was fully released.

Exchange rate exposure

The Group is subject to foreign currency exposure since its purchases are mainly denominated in US dollars and euro, while the income which it derives from the sale of vehicle and provision of after sale services are mainly denominated in NT dollars, Hong Kong dollars and US dollars. The Group closely monitors its foreign currency exposure and hedges such exposure through the use of short-term forward foreign exchange contracts from time to time.