

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2002

	Note	Six months ended 30 June	
		2002 HK\$'000 (Unaudited)	2001 HK\$'000 (Unaudited)
Turnover	2	351,502	341,557
Cost of sales and services		(288,529)	(268,812)
Gross profit		62,973	72,745
Other revenue		3,965	1,593
Distribution and selling expenses		(8,731)	(3,510)
General and administrative expenses		(48,312)	(40,206)
Profit from operations	3	9,895	30,622
Interest income		2,076	690
Interest expense		(5,427)	(6,362)
Profit before taxation and minority interests		6,544	24,950
Taxation	4	(4,013)	(5,007)
Profit after taxation but before minority interests		2,531	19,943
Minority interests		297	116
Profit attributable to shareholders		2,828	20,059
Dividends	5	–	57,946
Earnings per share – basic (HK cents)	6	0.65	6.69

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2002

	<i>Note</i>	As at 30 June 2002 HK\$'000 (Unaudited)	As at 31 December 2001 HK\$'000 (Audited)
Non-current assets			
Property and equipment	8	94,287	82,904
Investment securities	9	8,552	–
Finance lease receivables, non-current portion		5,805	7,691
Total non-current assets		<u>108,644</u>	<u>90,595</u>
Current assets			
Inventories		160,138	158,113
Finance lease receivables, current portion		6,376	7,146
Accounts receivable	10	231,544	209,751
Other investments	11	120,531	–
Prepayments, deposits and other receivables		39,456	28,374
Pledged bank deposits		2,383	3,476
Other cash and bank deposits		15,497	74,998
Total current assets		<u>575,925</u>	<u>481,858</u>
Current liabilities			
Short-term borrowings		268,430	262,997
Bills and accounts payable	12	26,692	35,561
Accruals and other payables		42,946	37,937
Taxation payable		5,967	8,785
Total current liabilities		<u>344,035</u>	<u>345,280</u>
Net current assets		<u>231,890</u>	<u>136,578</u>
Total assets less current liabilities		<u>340,534</u>	<u>227,173</u>

CONDENSED BALANCE SHEET (cont'd)

AT 30 JUNE 2002

		As at 30 June 2002 HK\$'000 (Unaudited)	As at 31 December 2001 HK\$'000 (Audited)
Non-current liabilities			
Long-term bank loans		<u>7,358</u>	<u>9,893</u>
MINORITY INTERESTS		<u>(717)</u>	<u>(420)</u>
Net assets		<u>333,893</u>	<u>217,700</u>
Represented by:			
Share capital	13	44,370	40,750
Reserves		289,523	173,400
Proposed dividend		<u>–</u>	<u>3,550</u>
Shareholders' equity		<u>333,893</u>	<u>217,700</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2002

	Six months ended 30 June 2002 (unaudited)								
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Capital		Exchange reserve HK\$'000	Retained profits HK\$'000	Proposed dividend HK\$'000	Total HK\$'000
				redemption reserve HK\$'000	Property revaluation reserve HK\$'000				
Beginning of period	40,750	144,380	10,482	-	1,443	(8,183)	25,278	3,550	217,700
Issue of shares through placement	4,000	114,000	-	-	-	-	-	-	118,000
Share issuance expenses	-	(3,007)	-	-	-	-	-	-	(3,007)
Translation adjustments	-	-	-	-	-	8,482	-	-	8,482
Repurchase of share	(380)	(6,180)	-	380	-	-	(380)	-	(6,560)
Profit for the period	-	-	-	-	-	-	2,828	-	2,828
Dividend paid	-	-	-	-	-	-	-	(3,550)	(3,550)
End of period	44,370	249,193	10,482	380	1,443	299	27,726	-	333,893

	Six months ended 30 June 2001 (unaudited)								
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Capital		Exchange reserve HK\$'000	Retained profits HK\$'000	Proposed dividend HK\$'000	Total HK\$'000
				redemption reserve HK\$'000	Property revaluation reserve HK\$'000				
Beginning of period as previously reported	21	52,355	5,990	-	-	(6,252)	105,394	-	157,508
Prior year adjustment	-	-	-	-	-	-	-	24,901	24,901
As restated	21	52,355	5,990	-	-	(6,252)	105,394	24,901	182,409
Issue of shares attributable to the Reorganisation (Note 1)	6	40,259	4,492	-	-	-	(44,757)	-	-
Translation adjustments	-	-	-	-	-	(2,493)	-	-	(2,493)
Profit for the period	-	-	-	-	-	-	20,059	-	20,059
Special dividend	-	-	-	-	-	-	(48,573)	-	(48,573)
Proposed dividend	-	-	-	-	-	-	(9,373)	9,373	-
Dividend paid	-	-	-	-	-	-	-	(24,901)	(24,901)
	27	92,614	10,482	-	-	(8,745)	22,750	9,373	126,501

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2002

	Six months ended	
	30 June 2002	30 June 2001
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(37,052)	(68,199)
Net cash used in investing activities	(23,089)	(2,770)
Net cash flow from financing activities	111,331	70,230
Increase/(decrease) in cash and cash equivalents	51,190	(739)
Cash and cash equivalents at beginning of period	74,998	19,301
Effect on cumulative translation adjustments	8,151	(1,605)
Cash and cash equivalents at end of period	134,339	16,957
Analysis of cash and cash equivalents		
Cash and bank deposits	15,497	16,957
Taiwan government debt securities	118,842	—
	134,339	16,957

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2002

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 included exchanges of shares (the "Reorganisation") in preparation for the listing of the Company's shares, the Company became the holding company of the other companies comprising the group. The Reorganisation involved companies under common control, and the Company and its subsidiaries (the "Group") resulting from the Reorganisation have been regarded as a continuing group. Accordingly, the Reorganisation has been accounted for on the basis of merger accounting. The consolidated income statements include the results of the Company and its subsidiaries as if the group structure resulting from the Reorganisation had been in existence throughout the period ended 30 June 2001 or since the dates of incorporation of the respective group companies where these were a shorter period.

The unaudited consolidated condensed accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice 25 (revised): Interim financial reporting, issued by the Hong Kong Society of Accountants. The interim report is unaudited but has been reviewed by the Audit Committee of the Company.

These condensed accounts should be read in conjunction with the 2001 annual financial statements.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED 30 JUNE 2002

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (cont'd)

The accounting policies and methods of computation used in the preparation of these condensed accounts are consistent with those used in the annual accounts for the year ended 31 December 2001 except that the Group has adopted the following new/revised Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants ("SSAP") which are effective for accounting periods commencing on or after 1 January 2002:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 25 (revised)	:	Interim financial reporting
SSAP 34	:	Employee benefits

The adoption of the above SSAPs has no material effect on prior year financial statements.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED 30 JUNE 2002

2. SEGMENT INFORMATION

a. Business segment

The Group is principally engaged in the trading of motor trucks, coaches and vehicle accessories, provision of motor vehicle repair and maintenance services, sale of fuel, provision of other motor vehicle related services, and motor vehicle financing business. An analysis by business segment is as follows:—

	Six months ended 30 June 2002						Total HK\$'000
	Trading of trucks, coaches and accessories HK\$'000	Provision of repair and maintenance services HK\$'000	Sale of fuel HK\$'000	Provision of other motor vehicle related services HK\$'000	Motor vehicle financing HK\$'000	Elimination HK\$'000	
Turnover							
Sales to external							
customers	249,587	66,644	33,212	1,407	652	—	351,502
Inter-segment sales	480	6,942	166	78	—	(7,666)	—
Total revenue	<u>250,067</u>	<u>73,586</u>	<u>33,378</u>	<u>1,485</u>	<u>652</u>	<u>(7,666)</u>	<u>351,502</u>
Operating results							
Segment results	<u>(1,518)</u>	<u>11,235</u>	<u>(3,023)</u>	<u>(2,273)</u>	<u>270</u>	<u>4,868</u>	9,559
Unallocated corporate expenses							(3,629)
Other revenue							3,965
Interest income							2,076
Interest expense							(5,427)
Taxation							<u>(4,013)</u>
Profit after taxation but before minority interests							<u>2,531</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED 30 JUNE 2002

2. SEGMENT INFORMATION (cont'd)

a. Business segment (cont'd)

	Six months ended 30 June 2001						
	Trading of trucks, coaches and accessories HK\$'000	Provision of repair and maintenance services HK\$'000	Sale of fuel HK\$'000	Provision of other motor vehicle related services HK\$'000	Motor vehicle financing HK\$'000	Elimination HK\$'000	Total HK\$'000
Turnover							
Sales to external customers	257,772	65,290	16,336	1,286	873	–	341,557
Inter-segment sales	–	8,805	142	–	–	(8,947)	–
Total revenue	<u>257,772</u>	<u>74,095</u>	<u>16,478</u>	<u>1,286</u>	<u>873</u>	<u>(8,947)</u>	<u>341,557</u>
Operating results							
Segment results	<u>13,381</u>	<u>13,821</u>	<u>(450)</u>	<u>(441)</u>	<u>613</u>	<u>2,485</u>	<u>29,409</u>
Unallocated corporate expenses							(380)
Other revenue							1,593
Interest income							690
Interest expense							(6,362)
Taxation							<u>(5,007)</u>
Profit after taxation but before minority interests							<u>19,943</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED 30 JUNE 2002

2. SEGMENT INFORMATION (cont'd)

b. Geographical segment

	Six months ended 30 June 2002				
	Taiwan HK\$'000	Hong Kong HK\$'000	Mainland China HK\$'000	Unallocated HK\$'000	Total HK\$'000
Turnover	<u>197,649</u>	<u>129,401</u>	<u>24,452</u>	<u>–</u>	<u>351,502</u>
Segment result	<u>20,232</u>	<u>(7,860)</u>	<u>(2,813)</u>	<u>–</u>	<u>9,559</u>
Profit (loss) from operations	<u>20,420</u>	<u>(7,736)</u>	<u>(2,789)</u>	<u>–</u>	<u>9,895</u>

	Six months ended 30 June 2001				
	Taiwan HK\$'000	Hong Kong HK\$'000	Mainland China HK\$'000	Unallocated HK\$'000	Total HK\$'000
Turnover	<u>183,234</u>	<u>142,521</u>	<u>15,802</u>	<u>–</u>	<u>341,557</u>
Segment result	<u>20,990</u>	<u>7,373</u>	<u>1,047</u>	<u>–</u>	<u>29,410</u>
Profit from operations	<u>21,640</u>	<u>7,879</u>	<u>1,103</u>	<u>–</u>	<u>30,622</u>

Turnover by geographical location is determined on the basis of the destination of shipment of merchandise.

3. PROFIT FROM OPERATIONS

Profit from operations for the current period has been arrived at after charging depreciation of approximately HK\$5,186,000 (For the six months ended 30 June 2001: HK\$2,762,000) in respect of the Group's property and equipment.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED 30 JUNE 2002

4. TAXATION

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.

	Six months ended	
	30 June	
	2002	2001
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Provision for the period:		
Hong Kong	62	200
Taiwan	3,942	4,578
Underprovision in prior period	9	229
	<u>4,013</u>	<u>5,007</u>

5. DIVIDENDS

	Six months ended	
	30 June	
	2002	2001
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Dividends proposed during the period:–		
Special, paid to the shareholders		
of the Company as at the close of business on 31 May 2001	–	48,573
Proposed interim dividend of HK\$Nil per share		
(2001: HK\$0.023 per share)	–	9,373
	<u>–</u>	<u>57,946</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED 30 JUNE 2002

6. EARNINGS PER SHARE

The calculation of basic earnings per share is based on consolidated profit attributable to shareholders for the period of approximately HK\$2,828,000 (For the six months ended 30 June 2001: HK\$20,059,000) and on the weighted average of 435,505,000 shares (2001: 300,000,000 shares) deemed to be issued throughout the period.

No dilutive earnings per share is presented as there were no dilutive potential ordinary shares in existence during both period ended 30 June 2002 and 2001.

7. RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2002, the Group had the following significant related party transactions:—

	Notes	Six months ended 30 June	
		2002 HK\$'000 (unaudited)	2001 HK\$'000 (unaudited)
Sale to Sunshine Finance Co., Ltd.	(i)	18,919	64,627
Rental expense in respect of office premises paid/payable to Forefront International Limited	(i)	2,018	2,098
Purchase of goods from Forefront International Limited	(i)	139	—
Sale to Forefront International Limited	(i)	—	3,123
Proceeds from disposal of long-term investment to Cyber Resources and Technology Limited	(ii)	—	2,322

Notes:

- (i) Forefront International Limited is a substantial shareholder of the Company, and Sunshine Finance Co., Ltd. is a subsidiary of Forefront International Limited.
- (ii) Cyber Resources and Technology Limited is beneficially owned by Mr Yang Kwn San, the Company's Honorary Chairman.

In the opinion of the Company's Directors, the above related party transactions were conducted in accordance with the respective arrangements entered into between the Group and the related parties.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED 30 JUNE 2002

Included in accounts receivable was an amount of approximately HK\$11,258,000 (As at 31 December 2001: HK\$48,844,000) due from Sunshine Finance Co., Ltd. resulting from sale of motor trucks and coaches. This balance is unsecured and non-interest bearing.

Apart from the above, Forefront International Limited has indemnified the Group against any shortfall under the retirement plan of a group company which operates in Taiwan in respect of payments to employees who were transferred to the Group from Forefront International Limited with effect from 1 March 1999 up to an amount of approximately HK\$4,591,000 as per actuarial valuation of the plan conducted by KPMG Consulting Co., Ltd., fellow of Actuarial Institute in Taiwan at 31 December 2001.

8. PROPERTY AND EQUIPMENT

During the six months ended 30 June 2002, the Group invested approximately HK\$16,595,000 (For the six months ended 30 June 2001: HK\$12,950,000) on property and equipment. During the same period, the Group disposed of certain of its property and equipment with an aggregate carrying value of approximately HK\$357,000 (For the six months ended 30 June 2001: HK\$97,000) with a profit on disposal of approximately HK\$7,000 (six months ended 30 June 2001: loss of HK\$57,000).

9. INVESTMENT SECURITIES

	As at 30 June 2002 HK\$'000 (unaudited)	As at 31 December 2001 HK\$'000 (audited)
At cost		
Unlisted, equity securities in Taiwan	<u>8,552</u>	<u>—</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED 30 JUNE 2002

10. ACCOUNTS RECEIVABLE

Aging analysis of the Group's accounts receivable is as follows:

	As at 30 June 2002 HK\$'000 (unaudited)	As at 31 December 2001 HK\$'000 (audited)
0 to under 3 months	93,854	147,056
3 to under 6 months	58,437	51,707
6 to under 9 months	44,073	6,180
9 to under 12 months	33,680	7,013
Over 12 months	8,007	4,148
	238,051	216,104
Less: provision	(6,507)	(6,353)
	231,544	209,751

A defined credit policy is maintained within the Group.

11. OTHER INVESTMENTS

	As at 30 June 2002 HK\$'000 (unaudited)	As at 31 December 2001 HK\$'000 (audited)
At carrying value		
Listed, Taiwan government debt securities	118,842	—
Listed, Taiwan equity securities	1,689	—
	120,531	—
Quoted market value of listed securities	120,531	—

The Taiwan government debt securities are readily convertible to cash within one week.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED 30 JUNE 2002

12. BILLS AND ACCOUNTS PAYABLE

Aging analysis of the Group's bills and accounts payable is as follows:

	As at 30 June 2002 HK\$'000 (unaudited)	As at 31 December 2001 HK\$'000 (audited)
0 to under 3 months	22,252	29,392
3 to under 6 months	3,459	5,743
6 to 9 under months	605	320
9 to under 12 months	64	1
Over 12 months	312	105
	26,692	35,561

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED 30 JUNE 2002

13. SHARE CAPITAL

	For the six months ended 30 June 2002 (unaudited)		For the year ended 31 December 2001 (audited)	
	Number of shares '000	Nominal value HK\$'000	Number of shares '000	Nominal value HK\$'000
Ordinary shares of HK\$0.1 each				
Authorised:				
At beginning of the period/year	1,000,000	100,000	3,500	350
Increase in authorised share capital	–	–	996,500	99,650
	1,000,000	100,000	1,000,000	100,000
Issued and fully paid:				
At beginning of the period/year	407,500	40,750	207	21
Issue of shares in connection with Reorganisation described in Note 1	–	–	61	6
Issue of shares through public offering and placing	–	–	107,500	10,750
Capitalisation of share premium	–	–	299,732	29,973
Issue of share through placement	40,000	4,000	–	–
Repurchase of shares	(3,800)	(380)	–	–
At end of the period/year	443,700	44,370	407,500	40,750

On 15 February 2002, the Company allotted and issued 40,000,000 shares to independent third party investors for a cash consideration of HK\$2.95 per share, credited as fully paid.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED 30 JUNE 2002

14. CONTINGENT LIABILITIES

- (i) During the year ended 31 December 2001, certain advertising firms filed a claim against Forefront International (Hong Kong) Limited, a wholly-owned subsidiary, for the allegedly unpaid advertising fees of approximately HK\$1,763,000. After considering the information available to the Group in relation to the alleged claim and based on legal advice, the directors of the Company and Forefront International (Hong Kong) Limited consider that the claim is without merits as the alleged advertising services were not rendered to Forefront International (Hong Kong) Limited or any other group companies. Accordingly, no provision has been made in the financial statements for such a claim.

As at the date of this report, the claim has not been settled.

- (ii) As stipulated by laws in Taiwan, the Taiwan branch of a group company has maintained a defined benefits retirement plan for its employees in Taiwan. Under the plan, the Group has an obligation to make contributions as stipulated by the laws and to make payments to qualifying employees, upon retirement, in the manner stipulated by the laws. However, there is no requirement that the Group should ensure that there are sufficient funds in the plan. The actuarial valuation as conducted by KPMG Consulting Co. Ltd. as at 31 December 2001 indicates that the plan had assets with a market value of approximately HK\$1,175,000 and obligations of approximately HK\$5,786,000. Consequently, there was a funding deficit of approximately HK\$4,611,000. Forefront International Limited, a substantial shareholder of the Company, has indemnified the Taiwan branch of a group company against any shortfall in respect of payments to employees who were transferred from Forefront International Limited, to the group company in Taiwan on 1 March 1999, up to an amount of approximately HK\$4,591,000.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED 30 JUNE 2002

15. COMMITMENTS

(i) Capital commitments

The Group had the following capital commitments:

	As at 30 June 2002 HK\$'000 (unaudited)	As at 31 December 2001 HK\$'000 (audited)
Capital commitments in respect of purchase of property and equipment:		
Contracted but not provided	20,867	–
Authorised but not contracted	1,534	–
	<u>22,401</u>	<u>–</u>

(ii) Operating commitments

The Group has operating commitments in respect of rented premises under non-cancellable lease agreements extending to December 2008. The total amount of commitment payable under these agreements is analysed as follows:

	As at 30 June 2002 HK\$'000 (unaudited)	As at 31 December 2001 HK\$'000 (audited)
Amounts payable within a period		
– within one year	9,951	5,683
– of between two to five years	9,294	3,641
– over five years	1,152	1,273
	<u>20,397</u>	<u>10,597</u>

(iii) Foreign currency forward contracts

	As at 30 June 2002 HK\$'000 (unaudited)	As at 31 December 2001 HK\$'000 (audited)
Commitment to buy US\$6,958,000 (As at 31 December 2001: US\$15,000,000 and EUR\$200,000)	56,258	118,420

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (cont'd)

FOR THE SIX MONTHS ENDED 30 JUNE 2002

16. POST BALANCE SHEET EVENTS

- (i) On 9 August 2002, the connected transaction of certain acquisition from Sunshine Finance Co., Ltd. as described in the section headed 'Material acquisitions and disposals' was completed.

- (ii) As at the date of this report, Taiwan government debt securities with carrying value of approximately HK\$79,444,000 was disposed at cash consideration of approximately HK\$81,660,000.

17. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current periods presentation.

FINANCIAL REVIEW

RESULTS FOR THE PERIOD

During the period under review, the Group recorded a turnover of approximately HK\$351.5 million, representing an increase of 2.9% as compared to the last corresponding period.

The profit attributable to shareholders for the period was approximately HK\$2.8 million, (For the six months ended 30 June 2001: HK\$20.1 million), representing an approximately 85.9% decrease as compared to the last corresponding period. Price competition continued to be the main obstacle to our growth but we continued to compliment our sales with quality after sales services.

The drop in finance costs reflected the general decreases in the cost of funds.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flow and banking facilities provided by the bankers. As at 30 June 2002, the Group's net asset value amounted to approximately HK\$333.9 million (As at 31 December 2001: HK\$217.7 million) with total assets of approximately HK\$684.6 million (As at 31 December 2001: HK\$572.5 million). Net current assets were approximately HK\$231.9 million (As at 31 December 2001: HK\$136.6 million) and current ratio was 1.67 times (As at 31 December 2001: 1.40 times), which was maintained at a very healthy level.

BORROWINGS AND GEARING RATIO

The Group's total borrowings increased slightly from approximately HK\$272.9 million as at 31 December 2001 to approximately HK\$275.8 million as at 30 June 2002. It primarily consisted of short-term bank loans and trust receipts bank loans. By virtue of nature of the business and given the turnover size of the Group, it was not uncommon to maintain the borrowing to a relatively high level. 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 40.3%, which had greatly improved as compared to 47.7% as at 31 December 2001.

FINANCIAL REVIEW (cont'd)

CHARGE ON GROUP ASSETS

As at 30 June 2002, the Group's borrowings and banking facilities were secured by the following:

- (i) Mortgages over the Group's land and buildings with a net book value of approximately HK\$48,465,000 (As at 31 December 2001: HK\$49,300,000);
- (ii) The Group's inventories held under trust receipts bank loans;
- (iii) Pledges of the Group's accounts receivables of approximately HK\$55,468,000 (As at 31 December 2001: HK\$42,213,000) covered by post-dated cheques from customers by the Group's subsidiary in Taiwan;
- (iv) Pledge of bank deposits of approximately HK\$2,383,000 (As at 31 December 2001: HK\$3,476,000) by the Group's subsidiary in Taiwan;
- (v) Pledges over certain vehicles of the Group's customers which are pledged to the Group as security for finance leases granted by the Group; and
- (vi) Pledges of certain listed securities with carrying value of approximately HK\$1,689,000 (As at 31 December 2001: Nil) owned by a subsidiary in Taiwan for facilities granted by a bank to that subsidiary.

EXCHANGE RATE EXPOSURE

The Group is subject to foreign currency exposure since its purchases are mainly denominated in US dollars, NT 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 foreign currency forward contracts from time to time.

BUSINESS REVIEW

The Group holds exclusive distribution rights for Scania trucks, tractors, coach chassis and buses as well as spare parts and accessories for such vehicles in Taiwan, Hong Kong, Macau and the entire Mainland China market. The Group is still working hard to penetrate and fully explore into the Mainland China's market, especially in view of Mainland China's accession to the World Trade Organisation. The continuous development and improvement of the highway system and the relaxation of financing activities for heavy commercial vehicles pave our way to success in the market.

Certain plans of enhancement are set out in the paragraph 'Future plans for investments' below.

MATERIAL ACQUISITIONS AND DISPOSALS

On 26 June 2002, Sunshine Credit Limited ("SCL"), a 95% subsidiary of the Company, entered into an conditional agreement with Sunshine Finance Co., Ltd. ("Sunshine") and Forefront International Limited whereby SCL agreed to purchase, and Sunshine agreed to sell, the hire purchase services for vehicles and equipment as well as the business of factoring currently provided and carried on by Sunshine in Taiwan the "Business", and certain assets relating to the Business at a consideration of HK\$46 million. The transaction was more particularly described in the circular to shareholders dated 17 July 2002. Completion has taken place on 9 August 2002.

MAJOR TRANSACTIONS

On 15 February 2002, a placement of 40,000,000 shares was completed and a net proceed of approximately HK\$115 million was raised.

On 25 February 2002, U-Drive Smart Card Company Limited ("U-Drive SCCL") was incorporated to develop the smart card project in Taiwan. On 1 August 2002, the issued capital of U-Drive SCCL was increased to approximately HK\$51 million.

FUTURE PLANS FOR INVESTMENTS

The Group had the following plans for investments:

- To continue to establish more self-operated service centres and authorised service centres in order to provide convenient accessibility and quality services to our customers.
- To expand the financing capabilities of the Group's financing arms.
- To develop the "Smart Card" to be launched in Taiwan shortly. U-Drive SCCL was actively negotiating with different transport and retail networks with the aim at forming alliances to enhance the Smart Card utilisation rate.
- To set up vehicle assembly business to achieve vertical integration and enhance profit margin. Such business can be developed into the assembly of chassis and bodies of heavy commercial vehicles.
- To invest in new computer hardware and software as well as to upgrade the computer information system and information technology of the Group.

BUSINESS REVIEW (cont'd)

USE OF PROCEEDS

The net proceeds of the share offer in connection with the listing of the shares of the Company on the Stock Exchange was approximately HK\$92.8 million. Part of the proceeds has been applied in the following areas.

	Originally planned HK\$'000	Amount utilised up to 30 June 2002 HK\$'000
Expansion of the Group's after sale services by establishing additional self-operated service centres and authorised service centres	35,000	15,922
Expansion of the financing capabilities of Forefront Finance Co., Limited	20,000	2,065
Expansion of the chain services provided by U-Drive Company Limited in Hong Kong and setting up of U-Drive in Taiwan and in the Mainland China	15,000	15,000
Development of and the further upgrading of the Group's information system and information technology	5,000	919
General working capital	17,800	17,800
	<u>92,800</u>	<u>51,706</u>

The net proceeds of the placement completed on 15 February 2002 was approximately HK\$115,000,000. Part of the proceeds has been applied in the following areas during the period.

	Originally planned HK\$'000	Amount utilised up to 30 June 2002 HK\$'000
Repayment of bank borrowings	40,000	40,000
Business development and expansion	40,000	—
General working capital	35,000	35,000
	<u>115,000</u>	<u>75,000</u>

BUSINESS REVIEW (cont'd)

EMPLOYMENT, TRAINING AND REMUNERATION POLICY

The total number of staff of the Group as at 30 June 2002 was 411.

The Group is committed to staff training and has provided regular management and technical courses to its employees.

The remuneration policy of the Group's employees are reviewed and approved by executive directors. Discretionary bonus is linked to the profit performance of the Group as well as individual performance. Benefits include medical schemes and Mandatory Provident Fund scheme. Besides, the Company has an employees' share option scheme which was newly adopted on 2 August 2002. The old one as adopted on 20 June 2001 had been terminated simultaneously. Up to the date of this report, no option has been granted under this new scheme.

OUTLOOK

The pace of recoverability of worldwide economy was far slower than generally expected. As transport business is very much in line with economic growth, the results in the first half of the year was inevitably affected. Although the directors of the Company (the "Directors") maintained their views that there would be increasing demand of heavy commercial vehicles, such increase may come slower than anticipated. Accordingly, the goal to maintain and improve the quality of our products and services will be highly prioritised in order to capitalise on economic rebound and future growth.

The Group is exploring different alternatives on the local assembly of the vehicles.

The development of "Smart Card" by U-Drive Company Limited was progressing with full pace and its official launch is expected to take place shortly. Initial usage will concentrate on public transports and convenience stores, and eventually it will develop into wider range of consuming areas.

Despite the continuing difficult business environment due to the global downturn in economy, the Directors are confident that the Group will improve and continue to explore new business opportunities with prudence.

DIRECTORS' INTERESTS IN SHARES OR SHARE OPTIONS

As at 30 June 2002, the interests of the directors in the shares or options of the Company or any other associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (“SDI Ordinance”) which had to be notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which they were taken or deemed to have under Section 31 of or Part I of the Schedule to the SDI Ordinance) or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name	Nature of interests	Number of shares	% of voting right
Lee Mao Fang	Family (<i>Note 1</i>)	3,041,832	0.69%
Liu Chen Wei, Jerry	Corporate (<i>Note 2</i>)	13,473,047	3.04%
Yang Chien Chi, Allen	Corporate (<i>Note 3</i>)	894,328	0.20%
	Corporate (<i>Note 4</i>)	129,888,805	29.27%

Notes:

- (1) These shares were held by Mr Lee Mao Fang's spouse, Ms Cheng Mei Lin, and therefore Mr Lee Mao Fang was deemed by virtue of the SDI Ordinance to be interested in these shares.
- (2) These shares were held by Lius Investment Limited, which is wholly-owned by Liu Chen Wei, Jerry, the Chairman of the Group and an executive director, and therefore Mr Liu Chen Wei, Jerry was deemed by virtue of the SDI Ordinance to be interested in these shares.
- (3) These shares were held by Golden Prosperity Profits Limited, which is owned as to 50% by Mr Yang Chien Chi, Allen, the Chief Executive and an executive director of the Company, and as to 50% by Mr Yang Kwn San, the Honorary Chairman of the Group, and therefore Mr Yang Chien Chi, Allen was deemed by virtue of the SDI Ordinance to be interested in these shares.
- (4) These shares were held by Forefront International Limited (“FIL”), Jetwide Limited, which owns 45% of the issued share capital of FIL, is wholly-owned by Mr Yang Chien Chi, Allen, and therefore Mr Yang Chien Chi, Allen was deemed by virtue of the SDI Ordinance to be interested in these shares.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2002, the register of substantial shareholders maintained by the Company under Section 16(1) of the SDI Ordinance showed that, other than the interests disclosed above in respect of the directors, the Company had been notified of the following interests representing 10% or more of the Company's issued share capital:

Name	Number of shares	% of voting right
Ever Wealth Management Limited (<i>Note 1</i>)	110,896,638	24.99%
FIL	129,888,805	29.27%
Jetwide Limited (<i>Note 2</i>)	129,888,805	29.27%

Notes:

1. The issued share capital of Ever Wealth Management Limited is beneficially owned as to 50% by Mr Yang Kwn San and as to the remaining 50% by his wife, Yang Wu Tsai Hsiu.
2. Jetwide Limited owns 45% of the issued share capital of FIL and therefore Jetwide Limited was deemed by virtue of the SDI Ordinance to be interested in these shares.

INTERIM DIVIDEND

The Board of directors has resolved not to declare any interim dividend in respect of the six months ended 30 June 2002.

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

During the six months under review, the Company had made the following purchases of its own shares:—

Trading Day/Date	Number of Shares Purchased	Method of Purchase	Price per share or Highest Price Paid HK\$	Lowest Price Paid HK\$	Aggregate Amount paid HK\$
21 March 2002	2,500,000	On the Stock Exchange	1.80	1.77	4,485,000
22 March 2002	1,300,000	On the Stock Exchange	1.60	1.59	2,075,000

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited condensed accounts for the six months ended 30 June 2002 with the directors.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice (“the Code”) as set out in the Listing Rules throughout the accounting period covered by the interim report, except that the Independent non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation in accordance with the Company's Articles of Association.

By order of the Board
LIU CHEN WEI, JERRY
Chairman

Hong Kong, 25 September 2002