

## **NOTES TO FINANCIAL STATEMENTS**

### **Basis of presentation**

The consolidated interim financial statements were unaudited and had been prepared in accordance with all applicable Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants and on a basis consistent with the accounting policies adopted in the Group's annual financial statements for the year ended 31 December 2001.

### **Basis of consolidation**

The unaudited consolidated interim financial statements included the financial statements of the Company and its subsidiaries for the Period. The results of subsidiaries during the Period were consolidated and all significant inter-company transactions and balances within the Group were eliminated on consolidation. The basis of consolidation adopted in this interim report is consistent with that used by the Group in presenting the annual financial statements for the year ended 31 December 2001.

## 1. Segment report

Turnover represents the invoiced value of inventories sold, net of discounts and returns, and rental income. There had been no change in the Group's principal activities during the Period, focusing mainly on the marketing and distribution of left-hand-drive motor vehicles and property holding for rental income purposes. The results of operations of the Group by principal activities and geographical locations are summarised as follows:

	Six months ended 30 June		Effect
	2002 HK\$'000	2001 HK\$'000	
<b>Business segments:</b>			
<b>Turnover</b>			
Trading of motor vehicles	5,102	12,428	(58.9%)
Rental income	180	921	(80.5%)
Miscellaneous	126	276	(54.3%)
	<b>5,408</b>	<b>13,625</b>	<b>(60.3%)</b>
<b>Operating profit/(loss)</b>			
Trading of motor vehicles	(1,984)	(4,208)	52.8%
Rental income	20	650	(96.9%)
Miscellaneous	126	276	(54.3%)
	<b>(1,838)</b>	<b>(3,282)</b>	<b>44.0%</b>
<b>Geographical segments:</b>			
<b>Turnover</b>			
Hong Kong	4,223	12,699	(66.7%)
China	1,185	926	28.0%
	<b>5,408</b>	<b>13,625</b>	<b>(60.3%)</b>
<b>Operating profit/(loss)</b>			
Hong Kong	(1,411)	(2,969)	(52.5%)
China	(427)	(313)	(36.4%)
	<b>(1,838)</b>	<b>(3,282)</b>	<b>44.0%</b>

## 2. Other revenue

	Six months ended 30 June	
	2002 HK\$'000	2001 HK\$'000
Rental income	180	921
Interest income	22	193
Miscellaneous	104	83
	<u>306</u>	<u>1,197</u>

## 3. Loss from operating activities

Loss from operating activities was arrived at after charging/(crediting) the following:

	Six months ended 30 June	
	2002 HK\$'000	2001 HK\$'000
Depreciation	13	33
Foreign exchange loss, net	–	244
Compensation for premises re-instatement by tenant	–	(65)
Staff costs (including directors' remuneration)	1,534	1,939
Cost of inventories	4,534	12,049
Interest income	(22)	(193)
Gross and net rental income	(180)	(921)
	<u>(180)</u>	<u>(921)</u>

## 4. Finance costs

	Six months ended 30 June	
	2002 HK\$'000	2001 HK\$'000
Interest on:		
Bank loans, overdrafts and trust receipt loans	892	1,917
Finance leases	–	–
	<u>892</u>	<u>1,917</u>

**5. Taxation**

No provision for Hong Kong profits tax had been provided as there were no assessable profits earned in or derived from Hong Kong during the Period (Last Period: nil).

**6. Interim dividend**

The Board did not recommend the payment of an interim dividend for the Period (Last Period: nil).

**7. Loss per share**

The calculation of basic loss per share for the Period was based on the net loss attributable to shareholders for the Period of HK\$2,730,000 (Last Period: HK\$5,199,000) and the issued weighted average 213,855,400 shares for the Period (Last Period: adjusted weighted average 217,694,473 issued shares after consideration of the consolidation of 10 shares into 1 share on 26 July 2001 and the issuance of 73,537,200 rights shares on 30 January 2002).

**8. Pledged time deposits**

Time deposits of HK\$5,754,000 (31 December 2001 or "Last Year-end Date": HK\$5,735,000) were used to secure the Group's banking facilities. The interests derived therefrom were treated as the Group's other revenue.

**9. Trade and bills receivables**

The Group only allows credit terms to long-established customers ranging from 30 to 90 days. Except one debtor amounting HK\$27,300, all trade and bills receivables at 30 June 2002 were aged less than 60 days from the date of recognition of the sale.

**10. Amount due to related company**

The amount due to Winsley Investment Limited, which is wholly owned by Mr. Chan Chun Choi and Miss Lam Mo Kuen, Anna, both of whom are the directors of the Company, is unsecured, interest free and has no fixed terms of repayment. Such advance was used to help the Group reduce the indebtedness due to bank in 2001.

**11. Trade and other payables and accruals**

94.2% of all trade and other payables and accruals at 30 June 2002 were aged more than 90 days due to incomplete goods purchased and services received (Last Year-end Date: 3.4%).

## 12. Interest-bearing bank borrowings

	30 June 2002 HK\$'000	31 December 2001 HK\$'000
Bank loans repayable within one year	491	519
Bank overdraft repayable within one year or on demand	20,107	20,120
	<u>20,598</u>	<u>20,639</u>
Bank loans repayable more than one year	<u>8,059</u>	<u>8,308</u>

## 13. Issued capital

	30 June 2002	31 December 2001
Authorised:		
2,205,586,400 ordinary shares of HK\$0.01 each	<u>22,055,864</u>	<u>22,055,864</u>
Issued and fully paid:		
264,611,600 (31 December 2001: 147,074,400) ordinary shares of HK\$0.01 each	<u>2,646,116</u>	<u>1,470,744</u>

New issue of shares in the Period:

- (i) On 30 January 2002, 73,537,200 rights shares of HK\$0.01 each were issued on the basis of one right share for every two existing share held.
- (ii) 44,000,000 new ordinary shares of HK\$0.01 each were placed to six independent investors on 10 June 2002.