

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 audited annual financial statements for the year ended 31 December 2003.

Basis of consolidation

The unaudited consolidated interim financial statements included the financial statements of the Group for the Period. The results of subsidiaries of the Company 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 audited annual financial statements for the year ended 31 December 2003.

1. Turnover

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 automotive products and property holding for rental income purposes.

Segment information

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group in making operating and financial decisions. In respect of geographical segment reporting, turnover is based on the countries in which the customers are located.

(a) *Business segments*

The Group is comprised of the following main business segments:

- Trading of motor vehicles – Purchase and sales of motor vehicles and parts; and
- Property investment – leasing of office premises.

	Six months ended 30 June 2004				Group HK\$'000
	Trading of motor vehicles HK\$'000	Property investment HK\$'000	Unallocated HK\$'000	Inter-segment elimination HK\$'000	
Segment revenue					
Revenue from external customers	739	-	-	-	739
Inter-segment revenue	-	360	-	(360)	-
Other revenue from external customers	159	100	-	-	259
Total	898	460	-	(360)	998
Segment result	(1,014)	456	(611)	-	(1,169)
Inter-segment transactions	360	(360)	-	-	-
Contribution from operations	(654)	96	(611)	-	(1,169)
Interest income					-
Finance costs					(171)
Loss before taxation					(1,340)
Taxation					-
Loss attributable to shareholders					(1,340)
Segment assets	2,093	7,970	1,969	-	12,032
Tax recoverable					-
Total assets					12,032
Segment liabilities	9,153	661	-	-	9,814
Bank loan					8,317
Tax liabilities					25
Total liabilities					18,156
Other information					
Bad debt recovered	144	-	-	-	144
Depreciation and amortization for the Period	(1)	-	-	-	(1)
Impairment loss on land and buildings	-	-	-	-	-
Deficit arising on revaluation of investment properties	-	-	-	-	-
Capital expenditure	-	-	-	-	-

	Six months ended 30 June 2003				Group HK\$'000
	Trading of motor vehicles HK\$'000	Property investment HK\$'000	Unallocated HK\$'000	Inter-segment elimination HK\$'000	
Segment revenue					
Revenue from external customers	4,284	-	-	-	4,284
Inter-segment revenue	-	360	-	(360)	-
Other revenue from external customers	238	1	-	-	239
Total	4,522	361	-	(360)	4,523
Segment result					
Inter-segment transactions	(948)	263	(436)	-	(1,121)
Contribution from operations	(588)	(97)	(436)	-	(1,121)
Interest income					1
Finance costs					(1,032)
Loss before taxation					(2,152)
Taxation					-
Loss attributable to shareholders					(2,152)
Segment assets					
Tax recoverable	10,270	16,894	64	(8,100)	19,128
Total assets					13
					19,141
Segment liabilities					
Bank loan	15,725	8,184	10,541	(8,100)	26,350
Tax liabilities					8,317
Total liabilities					-
					34,667
Other information					
Bad debt recovered	144	-	-	-	144
Depreciation and amortization for the Period	(1)	-	-	-	(1)
Impairment loss on land and buildings	-	-	-	-	-
Deficit arising on revaluation of investment properties	-	-	-	-	-
Capital expenditure	-	-	-	-	-

Segment assets consist primarily of fixed assets, properties, inventories, receivables, operating cash, net of allowance and provisions while most such assets can be directly attributed to individual segments.

Segment liabilities comprise bank overdrafts and operating liabilities.

Inter-segment revenue eliminated on consolidation represents inter-company rental charges on a property owned by the Group.

Inter-segment transactions were conducted at arm's length.

(b) *Geographical segments*

The Group's operations are located in Hong Kong and China. The Group's trading of motor vehicles and parts is carried out in Hong Kong and China. Property investment is located in Hong Kong.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

	Hong Kong		China		Group	
	Six months ended		Six months ended		Six months ended	
	30 June		30 June		30 June	
	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	-	733	739	3,551	739	4,284
Segment assets	10,971	18,008	1,061	1,120	12,032	19,128
Capital expenditure	-	-	-	-	-	-
Operating loss	(1,124)	(192)	(45)	(928)	(1,169)	(1,120)

2. Other revenue

	Six months ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
Rental income	100	–
Interest income	–	1
Miscellaneous	159	239
	<u>259</u>	<u>240</u>

3. Loss from operating activities

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

	Six months ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
Depreciation	1	1
Foreign exchange loss, net	–	–
Staff costs (including directors' remuneration)	1,023	756
Mandatory Provident Fund contribution	23	30
Bad debt recovered	(144)	(144)
Cost of inventories	369	4,115
Interest income	–	(1)
Gross and net rental income	(100)	–
	<u>(100)</u>	<u>–</u>

4. Finance costs

	Six months ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
Interest on:		
Bank loans, overdrafts and trust receipt loans	171	1,032
Finance leases	–	–
	<u>171</u>	<u>1,032</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\$1,340,000 (Last Period: net loss attributable to shareholders of HK\$2,152,000) and on the weighted average of 945,158,000 ordinary shares in issue for the Period (Last Period: weighted average of 264,611,600 issued ordinary shares).

8. Amount due to related company

The amount due to Winsley Investment Limited ("Winsley"), a company jointly owned by Mr. Chan Chun Choi ("Mr. Chan") and Madam Lam Mo Kuen, Anna ("Madam Lam", who is wife of Mr. Chan), both of whom are directors of the Company, was completely set off against the Capitalization Scheme (details disclosed under the section of "Business Review" in this interim report) in the Period.

9. Trade and other payables and accruals

90% of all trade and other payables and accruals at 30 June 2004 were aged more than 90 days due to incomplete goods purchased and services received (31 December 2003: 0%).

10. Interest-bearing bank borrowings, secured

	30 June 2004 HK\$'000	31 December 2003 HK\$'000
Bank overdrafts, secured	4,943	4,943
Bank loans, secured	8,317	8,317
	<hr/>	<hr/>
Bank borrowings repayable within one year or on demand	13,260	13,260
	<hr/> <hr/>	<hr/> <hr/>
Bank borrowings repayable more than one year	-	-
	<hr/> <hr/>	<hr/> <hr/>

11. Issued capital

	30 June 2004 HK\$	31 December 2003 HK\$
Authorised:		
2,205,586,400 ordinary shares of HK\$0.01 each	22,055,864	22,055,864
Issued and fully paid:		
1,075,011,600 ordinary shares of HK\$0.01 each	10,750,116	3,799,116

12. Reserves

	30 June 2004 HK\$'000	31 December 2003 HK\$'000
Share premium account	44,618	39,698
Contributed surplus*	710	710
Enterprise expansion fund**	445	445
Exchange fluctuation reserve	(170)	(165)
	45,603	40,688

* The contributed surplus for the Group represents the excess of the nominal value of the shares of the subsidiaries acquired pursuant to the reorganisation on 22 January 1998, over the nominal value of the Company's shares issued in exchange.

** The enterprise expansion fund is maintained, and annual allocations to the fund are made, in accordance with the Joint Venture Law of China.