

## NOTES TO FINANCIAL STATEMENTS

### **Basis of presentation**

The consolidated interim accounts were unaudited and had been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and on a basis consistent with the accounting policies adopted in the Group's audited annual financial statements for the year ended 31 December 2004.

The consolidated interim accounts had also been prepared in accordance with all applicable disclosure requirements of the Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The HKICPA had issued a number of new Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (hereinafter collectively referred to as "new HKFRSs") which are generally effective for accounting periods beginning on or after 1 January 2005. In the Period, the Group had applied, for the first time, the new HKFRSs and such application had not resulted in a material change in the presentation of the Group's financial statements for the Period.

### **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 2004.

### **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 automotive products; and
- Property investment – leasing of office premises.

	Six months ended 30 June 2005				
	Trading of automotive products HK\$'000	Property investment HK\$'000	Unallocated HK\$'000	Inter-segment elimination HK\$'000	Group HK\$'000
<b>Segment revenue</b>					
Revenue from external customers	960	100	-	-	1,060
Inter-segment revenue	-	270	-	(270)	-
Other revenue from external customers	144	-	-	-	144
<b>Total</b>	<b>1,104</b>	<b>370</b>	<b>-</b>	<b>(270)</b>	<b>1,204</b>
<b>Segment result</b>					
Inter-segment transactions	(519)	369	(735)	-	(885)
	270	(270)	-	-	-
(Loss)/Contribution from operations	(249)	99	(735)	-	(885)
Interest income					-
Finance costs					(634)
Loss before taxation					(1,519)
Taxation					-
Loss attributable to shareholders					(1,519)
<b>Segment assets</b>					
Tax recoverable	964	12,748	958	-	14,670
Total assets					2
					14,672
<b>Segment liabilities</b>					
Bank loan	8,818	693	1,900	-	11,411
Tax liabilities					8,317
Total liabilities					-
					19,728
<b>Other information</b>					
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 2004

	Trading of automotive products HK\$'000	Property investment HK\$'000	Unallocated HK\$'000	Inter-segment elimination HK\$'000	Group HK\$'000
<b>Segment revenue</b>					
Revenue from external customers	739	100	-	-	839
Inter-segment revenue	-	360	-	(360)	-
Other revenue from external customers	159	-	-	-	159
<b>Total</b>	<b>898</b>	<b>460</b>	<b>-</b>	<b>(360)</b>	<b>998</b>
<b>Segment result</b>					
Inter-segment transactions	(1,014)	456	(611)	-	(1,169)
	360	(360)	-	-	-
(Loss)/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)
<b>Segment assets</b>					
Tax recoverable	2,093	7,970	1,969	-	12,032
Total assets					12,032
<b>Segment liabilities</b>					
Bank loan	9,153	661	-	-	9,814
Tax liabilities					8,317
Total liabilities					25
Total liabilities					18,156
<b>Other information</b>					
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 automotive products 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 30 June		Six months ended 30 June		Six months ended 30 June	
	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	100	100	960	739	1,060	839
Segment assets	13,746	10,971	926	1,061	14,672	12,032
Capital expenditure	-	-	-	-	-	-

**2. Other revenue**

	Six months ended 30 June	
	2005	2004
	HK\$'000	HK\$'000
Interest income	–	–
Miscellaneous	144	159
	<u>144</u>	<u>159</u>

**3. Loss from operating activities**

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

	Six months ended 30 June	
	2005	2004
	HK\$'000	HK\$'000
Depreciation	1	1
Staff costs (including directors' remuneration)	573	1,023
Mandatory Provident Fund ("MPF") contributions	17	23
Bad debt recovered	(144)	(144)
Cost of inventories	800	369
Gross and net rental income	(100)	(100)

**4. Finance costs**

	Six months ended 30 June	
	2005	2004
	HK\$'000	HK\$'000
Interest on bank loans, overdrafts and trust receipt loans	<u>634</u>	<u>171</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\$1,519,000 (Last Period: net loss attributable to shareholders of HK\$1,340,000) and on the weighted average of 1,075,011,600 (Last Period: 945,158,000) ordinary shares in issue over the Period.

No diluted loss per share for the Period and the Last Period had been presented as the exercise of the potential ordinary shares would result in a reduction in loss per share.

**8. Amount due to related party**

The amount due to a related party is unsecured, interest free and has no fixed terms of repayment.

**9. Trade and other payables and accruals**

Slightly more than half of all trade and other payables and accruals at 30 June 2005 (31 December 2004: 55%) were aged more than 90 days. All trade and other payables and accruals were unsecured and interest free.

**10. Bank borrowings, secured**

	30 June 2005 HK\$'000	31 December 2004 HK\$'000
Bank overdrafts	6,701	6,242
Bank loans	8,317	8,317
	<hr/>	<hr/>
Bank borrowings repayable within one year or on demand	15,018	14,559
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Bank borrowings repayable more than one year	-	-
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**11. Issued capital**

	30 June 2005 HK\$	31 December 2004 HK\$
Authorised:		
2,205,586,400 ordinary shares of HK\$0.01 each	22,055,864	22,055,864
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Issued and fully paid:		
1,075,011,600 ordinary shares of HK\$0.01 each	10,750,116	10,750,116
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**12. Reserves**

	30 June 2005 HK\$'000	31 December 2004 HK\$'000
Share premium account	44,613	44,613
Contributed surplus*	710	710
Enterprise expansion fund**	445	445
Exchange fluctuation reserve	(165)	(165)
	<u>45,603</u>	<u>45,603</u>

\* 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.

**13. Cash and cash equivalents**

	30 June 2005 HK\$'000	31 December 2004 HK\$'000
Cash and bank balances	1,134	2,777
Bank overdrafts ( <i>Note 10</i> )	(6,701)	(6,242)
Cash and cash equivalents at end of the Period/year	<u>(5,567)</u>	<u>(3,465)</u>