

INTERIM REPORT 2006

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 2005.

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 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 2005.

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 2006				
	Trading of automotive products HK\$'000	Property investment HK\$'000	Unallocated HK\$'000	Inter-segment elimination HK\$'000	Group HK\$'000
Segment revenue					
Revenue from external customers	–	100	–	–	100
Inter-segment revenue	–	270	–	(270)	–
Other revenue from external customers	144	–	–	–	144
Other revenue – reversal of impairment loss on land lease prepayment	–	172	–	–	172
Total	144	542	–	(270)	416
Segment result	(812)	345	(720)	–	(1,187)
Inter-segment transactions	270	(270)	–	–	–
Loss from operations	(542)	75	(720)	–	(1,187)
Interest income					1
Finance costs					(1,682)
Loss before taxation					(2,868)
Taxation					–
Loss attributable to shareholders					(2,868)
Segment assets	208	16,496	62	–	16,766
Tax recoverable					–
Total assets					16,766
Segment liabilities	4,691	1,821	4,091	–	10,603
Bank loan					8,317
Tax liabilities					–
Total liabilities					18,920
Other information					
Bad debt recovered	144	–	–	–	144
Depreciation and amortization of land lease prepayment	–	(196)	–	–	(196)

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Six months ended 30 June 2005

	Trading of automotive products HK\$'000	Property investment HK\$'000 (Restated)	Unallocated HK\$'000	Inter-segment elimination HK\$'000	Group HK\$'000
Segment revenue					
Revenue from external customers	960	100	-	-	1,060
Inter-segment revenue	-	270	-	(270)	-
Other revenue from external customers	144	-	-	-	144
Other revenue - reversal of impairment loss on land lease prepayment	-	119	-	-	119
Total	1,104	489	-	(270)	1,323
Segment result	(519)	345	(735)	-	(909)
Inter-segment transactions	270	(270)	-	-	-
Loss from operations	(249)	75	(735)	-	(909)
Interest income					-
Finance costs					(634)
Loss before taxation					(1,543)
Taxation					-
Loss attributable to shareholders					(1,543)
Segment assets	964	12,344	958	-	14,266
Tax recoverable					2
Total assets					14,268
Segment liabilities	8,818	693	3,138	-	12,649
Bank loan					8,317
Tax liabilities					-
Total liabilities					20,966
Other information					
Bad debt recovered	144	-	-	-	144
Depreciation and amortization of land lease prepayment	(1)	(143)	-	-	(144)

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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		Six months ended		Six months ended	
	30 June		30 June		30 June	
	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	100	100	–	960	100	1,060
Segment assets	16,766	14,266	–	–	16,766	14,266
Capital expenditure	–	–	–	–	–	–

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2. Other revenue

	Six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000 (Restated)
Bad debt recovered	144	144
Interest income	1	–
Reversal of impairment loss on land lease prepayment	172	119
	<u>317</u>	<u>263</u>

3. Loss from operating activities

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

	Six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000 (Restated)
Cost of inventories	–	800
Amortisation of land lease prepayment	172	119
Depreciation	24	25
Staff costs (including directors' remuneration)	674	573
Mandatory Provident Fund ("MPF") contributions	19	17
Reversal of impairment loss on land lease prepayment	(172)	(119)
Bad debt recovered	(144)	(144)
Interest income	1	–
Net rental income	(100)	(100)

4. Finance costs

	Six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
Interest on bank loans, overdrafts and trust receipt loans	<u>1,682</u>	<u>634</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\$2,868,000 (Last Period: restated of net loss attributable to shareholders of HK\$1,543,000) and on the weighted average of 129,001,160 (Last Period: 1,075,011,600) 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 company

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

9. Other payables and accruals

Slightly more than half of all other payables and accruals at 30 June 2006 (31 December 2005: 53%) were aged more than 90 days. All other payables and accruals were unsecured and interest free.

10. Bank borrowings, secured

	30 June 2006 HK\$'000	31 December 2005 HK\$'000
Bank overdrafts	2,326	2,201
Bank loans	8,317	8,317
	<hr/>	<hr/>
Bank borrowings repayable within one year or on demand	10,643	10,518
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Bank borrowings repayable more than one year	-	-
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11. Issued capital

	30 June 2006 HK\$	31 December 2005 HK\$
Authorised:		
220,558,640 ordinary shares of HK\$0.1 each	22,055,864	22,055,864
Issued and fully paid:		
129,001,160 ordinary shares of HK\$0.1 each	12,900,116	12,900,116

12. Reserves

	30 June 2006 HK\$'000	31 December 2005 HK\$'000
Share premium account	49,507	49,530
Contributed surplus*	710	710
Enterprise expansion fund**	445	445
Exchange fluctuation reserve	(165)	(165)
	50,497	50,520

* 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 2006 HK\$'000	31 December 2005 HK\$'000
Cash and bank balances	225	598
Bank overdrafts (<i>Note 10</i>)	(2,326)	(2,201)
Cash and cash equivalents at end of the Period/year	(2,101)	(1,603)