

BUSINESS REVIEW

Similar to last year, the Company experienced extremely difficult trading time in the financial year under review. The Group's turnover for the year ended 31st December 2000 was HK\$27.9 million as compared with corresponding last year of HK\$44.3 million. This represents a decrease of 37%. The operation loss was HK\$33.4 millions, a decrease of 11.5% over the comparable figure for 1999. The loss attributable to shareholders was decreased from HK\$49.4 million for 1999 to HK\$38.3 million for this year.

The Group's distribution business in the PRC, the principal trading market for the Group's merchandise, experienced a low level of activity in 2000. Our business suffered both from our internal financial restructuring needs and from the prevailing adverse market sentiment arising from the lowered bargaining power of the imported vehicles. The import of left-hand-drive motor vehicles was seriously affected by several reasons. Firstly, the PRC's accession to the World Trade Organization ("WTO") had lowered the purchasing power on the imported vehicles to reflect the expectation of lower tariffs in the coming years. Secondly, more and more auto-makers, such as GM, Audi, Toyota and Honda, had developed their joint-venture production plants in PRC to manufacture foreign vehicles locally, developing the direct marketing channel in PRC. Last but not least, the perceptive image and quality of locally-made vehicles have been largely improved. Being as a distributor outside the PRC, the Board considers that such unfavorable operating environment will carry on in the forthcoming year. The situation should be overturned when the tariffs of imported vehicles are greatly reduced and relaxation of import permits as required by the WTO.

On 22nd February 2000, each of the Company's shares of HK\$0.10 each were divided into five shares of HK\$0.02 each. The Directors consider that the subdivision should improve the liquidity of the shares and will enable the Group to attract more investors with a wider shareholder base.

On 29th February 2000, the Group had acquired 48% of the issued share capital of eSolutions Holding Limited ("eSolutions") by new issue of 75,000,000 shares. eSolutions operated in three main business sectors; e-multimedia, e-buy-car services, and development of web sites. The vision of eSolutions is to become a successful electronic system solution provider in the new Internet Age, offering end-to-end solutions, facility management, technical design and maintenance to e-commerce participants in Hong Kong.

On 17th March 2000, a bonus issue of warrants was completed on the basis of one warrant for every five shares held. 245,000,000 warrants were issued pursuant to such issue. The Stock Exchange had confirmed that the last day of dealings in such warrants was 13th March 2001 while the withdrawal of listing of the warrants from the Stock Exchange was effective from the close of business on 16th March 2001. A total of 5,744,000 new shares had been issued upon the exercise of warrants before the expiry of subscription rights attaching to the warrants.

LIQUIDITY REVIEW

At 31st December 2000, the Group's net current liabilities and negative net assets amounted to HK\$40,727,000 (1999: net current liabilities of HK\$31,741,000) and HK\$15,561,000 (1999: net assets of HK\$19,000), respectively. At the same day, the Group's cash and bank balances, excluding pledged time deposits, amounted to HK\$3,738,000 (1999: HK\$6,928,000). The Group is exploring opportunities to strengthen the capital base of the Company.

PROSPECTS

Though there have been numerous trading difficulties, the Group insists in running the marketing and wholesale distribution of left-hand-drive motor vehicles. Having operated in PRC for years, we strongly believe that it is still profitable in importing motor vehicles into the nation. The margins, however, stay under strong pressure due to keen competition. It is an undeniable fact that the underlying demand remains strong and will be drastically increased in PRC as long as the country's economy keeps on growing steadily. With the remarkable growth of the Mainland's economy and a series of large-scale projects in Hong Kong for improving the existing infrastructure, we have reasons to be optimistic for the economy of Hong Kong and the Company. It is highly expected that China may enter into WTO in 2001. This means that the import tariffs of motor vehicles should begin to be lessening, increasing the competitive edge of imported vehicles in terms of price. Before that moment comes, the Group is planning to increase sales turnover by developing direct sale outlets in PRC, mainly in the southern cities of China. Furthermore, the Company is also seeking for new alliance with sales partners in northern part of China.

Aiming at improving our financial position, a placing was completed on 23rd January 2001. 240,000,000 shares had been placed to 10 independent investors at a price of HK\$0.023 each. The net proceeds of HK\$5,220,000 were used for general working capital purposes, including the repayment of debts. The Directors believed that the placing was an opportunity for the Company to raise additional capital which would enhance the capital base of the Company and increase the shareholders base and marketability of the shares of the Company.

In order to promote the distribution business of imported vehicles and to develop the high-technology businesses, the Board will consider to raise funds from external sources at appropriate time during 2001. The Group will continue to improve the efficiency and competitiveness of its cost control and operations in order to meet the challenges and to capture the huge business opportunities arising from the PRC's entry into the WTO. The Board will also continue to adopt loyalty, effort and dedication attitude in operating strategy. Furthermore, the Board will selectively participate in any suitable business development and investment opportunities, particularly in generating synergy effect with our business in Hong Kong and PRC in order to maximize return to the shareholders and staff.

It can hardly be convinced that 2000 was a year of success. The Board would like to thank all our staff for their hard work and hope to have their continuous support in the challenging years ahead.

Chan Chun Choi

Chairman and Managing Director

Hong Kong

26th April 2001



**We are committed to
provide quality services
in innovative way**

COMMITMENT