



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

COMMITMENT

The Directors present their Annual Report and Audited Financial Statements for the year ended 31st December 2000.

PRINCIPAL ACTIVITIES

The principal activities of the Company is investment holding. The principal activities of its subsidiaries consist of the marketing and distribution of left-hand-drive motor vehicles and property holding for rental income purposes. There were no changes in the nature of the Group's principal activities during the year.

SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to loss from operating activities by principal activity and geographical area of operations for the year ended 31st December 2000 is as follows:

	Turnover <i>HK\$'000</i>	Contribution to loss from operating activities <i>HK\$'000</i>
By principal activity:		
Trading of motor vehicles	26,734	(6,166)
Rental income	1,220	(4,858)
Other revenue	—	1,763
Goodwill written off	—	(21,000)
Other group expenses	—	(3,116)
	<u>27,954</u>	<u>(33,377)</u>
Less: Interest expenses		<u>(5,384)</u>
		<u>(38,761)</u>
By geographical area:		
Hong Kong	24,468	(37,973)
The PRC	3,486	(788)
	<u>27,954</u>	<u>(38,761)</u>

RESULTS AND DIVIDEND

The Group's loss for the year ended 31st December 2000 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 28 to 59.

The directors do not recommend the payment of any dividend in respect of the year.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last five financial years is set out on page 60. This summary is not part of the audited financial statements.

FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in fixed assets and investment properties of the Group are set out in notes 13 and 14 to the financial statements, respectively.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 15 to the financial statements.

BORROWINGS

Details of the Group's borrowings are set out in note 21 to the financial statements.

RETIREMENT SCHEME

The Group has implemented a provident fund scheme for its staff in compliance with requirements for the MPF Ordinance from 28th December 2000. The Company contributed according to the minimum requirements of the MPF Ordinance (ie. 5% of staffs' relevant income with limit of HK\$1,000) and charged to the profit and loss account.

CHARITABLE DONATION

Donations made by the Group during the year amounted to HK\$31,000 (1999: Nil).

SHARE CAPITAL, WARRANTS AND SHARE OPTIONS

Details of movements in the Company's share capital, warrants and share options during the year and subsequent to the balance sheet date, together with the reasons for the issue thereof, are set out in note 22 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 23 to the financial statements.

DISTRIBUTABLE RESERVES

At 31st December 2000, the Company had no reserves available for cash distribution and distribution in specie computed in accordance with the Companies Act 1981 of Bermuda except for the Company's share premium account which may be distributed in the form of fully paid bonus shares.

Under the Companies Act 1981 of Bermuda, the Company may make distributions from its contributed surplus in certain circumstances, prescribed by Section 54 thereof, which the Company was unable to satisfy as at 31st December 2000.

DIRECTORS

The Directors of the Company during the year were:—

Executive directors:

Chan Chun Choi	<i>(Chairman and Managing Director)</i>
Lam Mo Kuen, Anna	<i>(Deputy Chairman)</i>

Non-executive directors:

Fong Wo, Felix	<i>(Retired on 18th July 2000)</i>
Liu Kwok Fai Alvan	<i>(Appointed on 18th July 2000)</i>

Independent non-executive directors:

Cheng Kai Nam, Gary	<i>(Resigned on 14th August 2000)</i>
Dr. Kwok Chi Kuen, Philip	<i>(Resigned on 2nd August 2000)</i>
Ng Chi Shing	<i>(Appointed on 14th August 2000)</i>
Yuen Kwok Wah, Bernard	<i>(Appointed on 2nd August 2000)</i>

In accordance with clause 86(2) of the Company's bye-laws, Messrs. Liu Kwok Fai Alvan, Ng Chi Shing and Yuen Kwok Wah, Bernard will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS AND SENIOR MANAGEMENT BIOGRAPHIES

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 9 to 11 of the annual report.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' emoluments and of the five highest paid individuals in the Group are set out in notes 8 and 9 to the financial statements, respectively.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Group within one year without payment other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Except as disclosed in the note 27 to the financial statements, none of the Directors had a significant beneficial interest in any contract of significance to the business of the Company to which the Company or any of its subsidiaries was a party during the year.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Pursuant to the Company's share option scheme (the "Scheme"), the Directors may, at their discretion, grant to the Directors and the full time employee of the Group the right to subscribe for shares of the Company.

Details of the Scheme are set out in note 22 to the financial statements. No options were granted during the year.

Save as disclosed above, at no time during the year was the Company or any its subsidiaries a party to any arrangement to enable the Directors of the Company or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARE CAPITAL

At the balance sheet date, the interests of the Company's Directors in the share capital of the Company and its associated corporations, as recorded in the register required to be kept by the Company under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), were as follows:

(i) The Company

Name of Directors	Number of shares held (other interest)
Chan Chun Choi	718,517,245
Lam Mo Kuen, Anna	718,517,245

The above shares are held by Eternal Victory Enterprises Inc., a company incorporated in the British Virgin Islands, as trustee of a unit trust, the units of which are held by a discretionary trust established for the family members of Chan Chun Choi, including Lam Mo Kuen, Anna, Chan Chun Choi holds all of the issued shares of Eternal Victory Enterprises Inc.

(ii) Associated corporations

Name of associated corporation	Name of Director	Number of shares held	Class of shares	Type of interest
Victory Motors Centre Limited	Chan Chun Choi	100,000	Non-voting deferred	Personal
		2,800,000	Non-voting deferred	Corporate (Note)
Victory Motors Centre Limited	Lam Mo Kuen, Anna	100,000	Non-voting deferred	Personal
		2,800,000	Non-voting deferred	Corporate (Note)

Note: The 2,800,000 non-voting deferred shares are held by Kwong Hung Hing Enterprises Co. Limited of which Chan Chun Choi and Lam Mo Kuen, Anna together hold the entire issued share capital.

Save as disclosed above, none of the Directors or their associates had any personal, family, corporate or other interest in the equity or debt securities of the Company or any of its associated corporations, as defined in the SDI Ordinance.

SUBSTANTIAL SHAREHOLDERS

At the balance sheet date, no person other than Eternal Victory Enterprises Inc., details of whose share interest are set out under the section headed “Directors’ interests in share capital”, was registered as having an interest of 10% or more in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the aggregate turnover attributable to the five largest customers of the Group accounted for approximately 47% of the Group’s turnover for the year, and sales to the largest customer included therein amounted to approximately 13%.

The aggregate purchases attributable to the three largest suppliers accounted for the total of 100% of the Group’s purchases for the year, and purchases from the largest supplier included therein amounted to approximately 88%.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the Directors, the Company complied with the Code of Best Practices as set out in Appendix 14 and 16 (the “Code”) of the Listing Rules of the Stock Exchange, throughout the accounting period covered by the annual report, except that the non-executive directors of the Company are not appointed for specific terms, but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company’s bye-laws.

AUDIT COMMITTEE

Mr. Liu Kwok Fai Alvan, a non-executive director, and Mr. Ng Chi Shing and Mr. Yuen Kwok Wah, Bernard, both are independent non-executive directors, have been appointed by the Company’s Board of Directors to form the Company’s audit committee in compliance with paragraph 14 of the Code.

AUDITORS

The Company's former auditors resigned during the year and the Directors have appointed Fan, Mitchell & Co. to fill the causal vacancy.

The financial statements have been audited by Fan, Mitchell & Co., who offer themselves for appointment.

On Behalf of the Board

Chan Chun Choi

Chairman and Managing Director

Hong Kong

26th April 2001