

REPORT OF THE DIRECTORS

The Directors present their annual report and audited financial statements for the year ended 31 December 2002.

PRINCIPAL ACTIVITIES

The principal activities of the Company are 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.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the aggregate turnover attributable to the five largest customers of the Group accounted for approximately 77 per cent of the Group's turnover for the year and sales to the largest customer included therein amounted to approximately 44 per cent.

The aggregate purchases attributable to the four largest suppliers accounted for all of the Group's purchases for the year, and purchases from the largest supplier included therein amounted to approximately 98 per cent. None of the Directors, their associates or any shareholders (which to the knowledge of the Directors owned more than 5 per cent of the Company's share capital) had any beneficial interests in the Group's five largest customers and the Group's four largest suppliers.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2002 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 24 to 61.

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

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to HK\$2,000 (2001: Nil).

SEGMENTAL INFORMATION

Details of segmental information are set out in note 29 to the financial statements.

SUMMARY FINANCIAL INFORMATION

The results, assets, and liabilities of the Group for the last five financial years are summarised on page 62. 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 14 and 15 to the financial statements respectively.

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SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 16 to the financial statements.

BORROWINGS

Details of the Group's borrowings are set out in note 23 to the financial statements.

RETIREMENT SCHEME

Details of the Group's retirement scheme are set out in note 31 to the financial statements. The Company contributed according to the minimum requirements of the Mandatory Provident Fund ("MPF") Schemes Ordinance ("MPF Ordinance"); that is, 5 per cent of staffs' relevant income with maximum limit of HK\$1,000, and the contributions are charged to the profit and loss account.

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 24 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 25 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2002, 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 31 December 2002.

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CONTINGENT LIABILITIES

Details of contingent liabilities of the Group as at 31 December 2002 are set out in note 27 to the financial statements.

RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group as at 31 December 2002 are set out in note 30 to the financial statements.

SIGNIFICANT POST BALANCE SHEET EVENT

Details of significant post balance sheet event are set out in note 32 to the financial statements.

SIGNIFICANT ISSUES

During the year, there were no significant investments. Also, there is no plan for material investments or capital assets in the near future mainly because of the Group's limited funding position. Since all the purchases of our merchandise had been fixed at an agreed exchange rate prior to the confirmation of purchase orders by the Group to its vendors, the Group had no exposure to fluctuation in exchange rates and any related hedges. Furthermore, the Company and the Group had no significant commitments during the year (2001: Nil).

There was also no material change in capital structure and pledge of assets of the Group during the year.

EMPLOYEES

As at 31 December 2002, the Group had a total of 10 employees (2001: 18 employees), of whom 9 were based in Hong Kong whereas 1 was local staff employed in PRC. The remuneration package for Hong Kong staff was strictly on monthly-salary basis and that for the PRC employee was performance-oriented. Year-end bonus was linked to the financial results of the Group as well as the performance of individual staff. The remuneration policies of the Group's employees are subject to review regularly. Total staff costs for the year amounted to HK\$2.6 million (2001: HK\$4.0 million). On irregular but necessary basis, the Company organises product seminars, salesmanship and computer training courses and recreational activities.

The Group does not operate any pension or retirement schemes for its Directors or employees until the implementation of MPF in December 2000. The Group has a share option scheme, which was duly approved by the shareholders on 22 January 1998, available for any full-time employees of the Company or any of its subsidiaries, including any executive directors of the Company or of any subsidiaries. No options have been granted since the approval of the scheme.

PLEDGE OF ASSETS

The Group's land and buildings and investment properties with an aggregate net book value of HK\$19.6 million (2001: HK\$23.8 million) and fixed deposits of HK\$Nil (2001: HK\$5.7 million) were pledged to secure bank loans and overdrafts of the Group.

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PROPERTY VALUATION

A property valuation had been carried out by Vigers Hong Kong Limited (“Vigers”), an independent professional valuer, in respect of the Group’s leasehold land and buildings and investment properties. The Group’s leasehold land and buildings were valued at HK\$8.1 million, giving rise to a deficit on revaluation of HK\$1.7 million. The Group’s investment properties were valued at HK\$11.5 million, giving rise to a deficit on revaluation of HK\$2.5 million.

ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

During the year, there were no material acquisitions and disposals of the Company’s subsidiaries or associated companies.

DIRECTORS

The Directors during the year were:–

Executive directors:

Chan Chun Choi (Chairman and Managing Director)

Lam Mo Kuen, Anna (Deputy Chairman)

Non-executive director:

Liu Kwok Fai Alvan

Independent non-executive directors:

Ng Chi Shing

Yuen Kwok Wah, Bernard

In accordance with clause 86(2) of the Company’s bye-laws, Mr. Liu Kwok Fai Alvan will retire and, being eligible, will offer himself for re-election at the forthcoming annual general meeting (the “forthcoming AGM”).

DIRECTORS AND SENIOR MANAGEMENT BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 8 to 10 of the annual report.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of emoluments of the Directors and the five highest paid individuals in the Group are set out in notes 9 and 10 to the financial statements, respectively.

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DIRECTORS SERVICE CONTRACTS

No Directors proposed for re-election at the forthcoming AGM have service contracts with the Company which are not determinable by the Group within one year without payments other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Except as disclosed in the note 30 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 AND DEBENTURES

The Company operates a share option scheme for the purpose of providing incentives and rewards to employees including the executive directors of the Company and of its subsidiaries ("Eligible Participants") who contribute to the success of the Group's operations.

On 22 January 1998, the Company conditionally approved a share option scheme ("the Scheme") under which the Directors may, at their discretion, grant options to Eligible Participants, to subscribe for shares of the Company during the 10 years from its date of approval. The Scheme became effective upon the listing of the Company's shares on the Stock Exchange on 16 February 1998 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. No options have been granted since the approval of the Scheme.

Subsequent to the adoption of the Scheme on 22 January 1998, the Stock Exchange introduced a number of changes to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") on share option schemes. These new rules came into effect on 1 September 2001. Since then no share options have been granted under the Scheme. However, any option to be granted in the future under the Scheme shall be subject to the new changes which include, inter alia, the following:—

- (a) the maximum number of shares issuable under share options to each Eligible Participant within any 12-month period is limited to 1 per cent of the shares in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting;
- (b) share options granted to a Director, chief executive or substantial shareholder, or to any of their associates, are subject to approval in advance by independent non-executive Directors; and
- (c) the exercise price of share options is determined by Directors, but may not be less than the higher of: (i) the Stock Exchange closing price of the shares on the date of grant of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the grant.

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Under the Scheme, the Directors may at their discretion grant options at HK\$1.00 per option to Eligible Participants to subscribe for shares at a price calculated in accordance with paragraph below.

The subscription price of the options may be determined by the Directors and shall be the higher of the nominal value of a share and 80 per cent of the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the grant date of the options. The maximum number of shares over which options may be granted must not exceed 10 per cent of the issued share capital of the Company from time to time, excluding for this purpose shares issued pursuant to the Scheme. No options may be granted to any person which, if exercised in full, would result in the total number of shares already issued and issuable to him under the Scheme exceeding 25 per cent of the aggregate number of shares subject to the Scheme, at the time it is proposed to grant the relevant option to such person.

Summary details of the Scheme are also set out in note 24 to the financial statements.

The Company shall amend, in due course, the terms of the Scheme to comply with the requirements of the amended Listing Rules on share option schemes.

Other than the share option scheme as described in note 24 to the financial statements, at no time during the year was the Company, or its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

None of the Directors or chief executives, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

DIRECTORS' INTERESTS IN SHARE CAPITAL

At the balance sheet date, the interests of the 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:

(a) The Company

Name of Directors	Number of shares held (other interest)
Chan Chun Choi	110,377,586
Lam Mo Kuen, Anna	110,377,586

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The above shares are held by Eternal Victory Enterprises Inc. ("EVEI"), 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 Mr. Chan Chun Choi, including Madam Lam Mo Kuen, Anna. Mr. Chan Chun Choi holds all the issued share of EVEI.

(b) Associated Corporation

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 persons other than EVEI, whose details of share interest are set out under the section headed "Directors' interests in share capital", were registered as having an interest of 10 per cent or more in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

CORPORATE GOVERNANCE

None of the Directors is aware of any information that would reasonably indicate that the Company had not complied with the Code of Best Practices as set out in Appendix 14 of the Listing Rules during the year. The Audit Committee had reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters, including a review of the Company's audited financial statements for the financial year under review. After such review, the Audit Committee reached a decision that the aforesaid audited financial statements should be submitted to the Board for proper approval.

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AUDITORS

Fan, Mitchell & Co. retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Fan, Mitchell & Co. as auditors of the Company is to be proposed at the forthcoming AGM.

APPRECIATION

Although the operating results for the financial year under review was better than the past four years, the Company and its Board believe that more efforts must be required to overturn the performance in the challenging years ahead. Revised business plans and strategies have been formulated and should be in place when conditions permit. At the mean time, the Board would like to thank all the staff for their hard work and hope to have their continuous support and patience in the attempt of making future years success.

On Behalf of the Board

Chan Chun Choi

Chairman

Hong Kong, 16 April 2003