

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

Sales of motor vehicles

The transportation market was still in the doldrums and the situation was particularly serious in Hong Kong. Such economic slump has greatly affected the demand on tractors. Trade-in vehicles had devalued much more than anticipated and it compounded the losses in vehicle sales in Hong Kong. The Group continued to provide comprehensive repair and maintenance packages to customers which in turn supported our after sale service business by maintaining sufficient rolling stocks on the road.

The business environment in Taiwan was more stable and less vulnerable to business downturn. Although gross margin was lowered due to fierce competition, the capability of maintaining sizeable population ensured a fair market share as in the past.

The growth in China segment was more apparent in the prior year and demand from cargo transportation sector had been increasing at a promising pace.

Provision of motor repair and maintenance services

Overall, after sales service continued to be a major source of revenue for the Group. With wide spread network of quality service centres and higher operating standard of the repair and maintenance services provided, we were able to maintain our reputation in the industry. Yet, the gross margin was inevitably affected due to competition from OEM parts and the result of reducing purchasing sentiment and financial strength of customers.

Provision of other motor-related services

The Group operates a membership scheme called "U-Drive". Members of U-Drive enjoy various motor-related services and benefits, including discounts on fuel and tyres replacement, telematics and repair and maintenance services as well as insurance agency, financing and vehicle and fleet management control services. The chain service programme offered by U-Drive complement well the business currently carried out by the Group. It also facilitated the Group to diversify its scope of business and enlarge the base of recurrent earnings.

During the year under review, the number of U-Drive members increased from 10,000 to 19,000 as at 31st December 2002.

主席報告

業務回顧

汽車銷售

運輸市場依然未能走出困局，其中以香港的情況尤為嚴重。市況不景，大大影響了拖車頭的需求。二手車價的下滑速度遠超預期，令香港日漸萎縮的汽車銷量雪上加霜。本集團繼續為客戶提供全面的對其維修保養服務組合，藉此維持一定銷量，支持我們的售後服務市場。

反觀台灣的營商環境則比香港穩定，受市況不景的影響亦較少。雖然市場競爭劇烈導致邊際毛利減少，但本集團成功維繫一眾用戶，令本集團得以一如既往，保持一定的市場佔有率。

中國業務於去年明顯增長，貨櫃運輸業務的需求持續穩定增長。

提供汽車維修保養服務

整體而言，售後服務依然是本集團的主要收入來源。本集團的優質服務中心網絡遍佈各地，務求為客戶提供高效率的維修保養服務，憑藉此等優勢，本集團得以保持超卓信譽。然而，由於原設備製造產品的競爭，加上客戶的購買意欲及消費力減弱，導致邊際毛利進一步受損。

提供其他汽車相關服務

本集團設立一項名為「任我行」的會員制計劃。任我行會員可享用多項與車輛有關的服務及優惠，包括燃油及更換車胎折扣、遙距傳訊及維修保養服務以至保險代理、融資及車隊管理控制服務。任我行提供的連鎖式服務可補足本集團目前經營的業務，讓本集團壯大業務範疇，擴闊經常收入的基礎。

於回顧年度內，任我行會員人數倍增，由一萬名增至二零零二年十二月三十一日的一萬九千名。

CHAIRMAN'S STATEMENT

Interest income in respect of provision of hire purchase financing

In view of the adverse economic condition in Hong Kong, the Group adopted a very prudent approach in exploring this business segment. Very stringent scrutinisation and approval criteria were adopted in selecting customers so as to minimise credit risk.

On the other hand, Taiwan had a more pleasant environment in respect of vehicle and equipment financing business. Given the relatively higher return and lower credit risk in the Taiwan financing market, the newly acquired Taiwan financing business facilitated the Group to expand its hire purchase services in Taiwan and had much synergy on its vehicle distribution business.

Investments

During the year under review, the Group had invested in property investment and management through a 28.57%-owned associated company.

The Group has also invested in and acquired a 9.64% interest in a company engaging in the development of software and provision of system integration services in Taiwan.

FINANCIAL REVIEW

Results for the year

During the year under review, the Group recorded a turnover of HK\$642.1 million representing a 11.9% decrease as compared to the last year. The decrease in turnover was mainly due to the decline in sale of vehicles in both Taiwan and Hong Kong by approximately HK\$70.5 million and HK\$63.7 million, respectively. The effect was partially offset by an increase in turnover from China of HK\$16.9 million and sale of fuel in Hong Kong of HK\$28.9 million. The turnover for other segments included after sales service and provision for other motor-related services had stable performances.

主席報告

有關提供租購融資安排的利息收入

鑑於香港經濟低迷，本集團在開拓本項業務時採取了非常審慎的態度。本集團在揀選客戶時非常嚴謹，審批標準亦異常嚴格，務求盡量減低信貸風險。

另一方面，台灣在車輛及設備融資方面的市況較為樂觀。由於台灣融資市場的回報較高、信貸風險較少，本集團在台灣新收購的融資業務除了有助本集團發展台灣的租購服務外，亦同時為集團旗下的車輛分銷業務締造協力優勢。

投資

於回顧年度內，本集團透過一間擁有28.57%權益之聯營公司投資於物業投資及管理業務。

本集團亦已投資及收購一家於台灣從事軟體發展及提供系統集成服務的公司9.64%權益。

財務回顧

本年度業績

於回顧年度內，本集團錄得營業額約642,100,000港元，較去年減少11.9%。營業額減少是由於台灣及香港兩地的汽車銷售額同告下跌，分別下跌約70,500,000港元及63,700,000港元所致，尤幸中國的營業額增加16,900,000港元，以及香港燃油銷售額上升28,900,000港元，抵銷了港台兩地營業額下跌所造成的部分影響。其他環節包括售後服務及提供其他汽車相關服務的營業額表現穩定。

CHAIRMAN'S STATEMENT

The loss attributable to shareholders for the year was HK\$30.8 million (2001: profit attributable to shareholders of HK\$26.1 million). The Group's results were greatly affected by the eroding gross margin due to fierce competition from the European and Japanese brands. The sales of trade-in vehicles had also adversely affected the Group's result. In fact, the overall demand for tractors experienced a significant decline. General and administrative expenses had increased mainly due to the newly operating U-Drive Smart Card project of approximately HK\$5.7 million, Taiwan financing business of approximately HK\$2.5 million, expenses related to new Yuen Long workshop of approximately HK\$4.9 million and increase in expenses of U-Drive Hong Kong of approximately HK\$1.2 million. Distribution and selling expenses increased mainly due to increase in travelling expenses of approximately HK\$1 million.

Bank and other borrowings

Bank and other borrowings increased from HK\$272.9 million to HK\$305.8 million. Due to the nature of business, a majority of the borrowings, all denominated in Hong Kong Dollars, were trade finance whereas the maturity dates were less than one year. In view of the high proportion of current borrowings, the Group obtained a 3-year syndicated term-loan facility in the amount of HK\$140 million in October 2002 with principal purpose of re-engineering the borrowing structure. As at 31st December 2002, HK\$100 million was drawn down. The costs of borrowings were generally in line with cost of funds of the lending banks.

The gearing, computed as total borrowings over equity, has been reduced from 1.25 to 1.06. The main reason for improvement was the placement completed in February 2002.

Current ratio

Current ratio increased from 1.40 to 1.69 upon switching part of the current liabilities to long-term liabilities pursuant to completion of the syndicated term-loan. The liquidity position had improved accordingly.

State of order book

As of the date of this report, the order booking in Taiwan and Mainland China have been in line with the management's expectation. However, the order booking in Hong Kong fell short of the management's expectation.

主席報告

本年度股東應佔虧損為30,800,000港元(二零零一年:股東應佔溢利26,100,000港元)。由於歐洲及日本品牌的競爭激烈,削弱了邊際毛利,令本集團業績大受打擊。二手汽車的銷售亦打擊本集團的業績。事實上,拖車頭的整體需求亦明顯減少。一般及行政開支增加,主要由於新經營約5,700,000港元的「任我行」智慧卡計劃,約為2,500,000港元的台灣融資業務,關於新元朗工作室開支約4,900,000港元以及香港「任我行」開支增加約1,200,000港元所致。而分銷及銷售開支則主要因為差旅費增加約1,000,000港元所致。

銀行及其他借貸

銀行及其他借貸由272,900,000港元增加至305,800,000港元。由於業務的性質使然,大部分以港元列值的借貸均屬一年內到期的貿易融資。由於短期借貸佔有相當比重,本集團遂於二零零二年十月完成一筆為期三年的銀團定期貸款,金額為140,000,000港元,旨在整頓借貸結構。截至二零零二年十二月三十一日,本集團已支取100,000,000港元。借貸成本一般與借款銀行的借貸成本掛鈎。

資本負債比率(按總借貸對股權計算)由1.25下降至1.06,主要由於二零零二年二月完成之配售所致。

流動比率

完成銀團定期貸款後,將部份流動負債轉為長期負債,流動比率由1.40升至1.69,流動資金狀態相應改善。

訂單狀況

於本報告日期,台灣及中國大陸的訂單情況與管理層的預期吻合。可是,香港的訂單狀況未能符合管理層的期望。

CHAIRMAN'S STATEMENT

Material acquisitions and disposals

On 26th June 2002, Sunshine Credit Limited ("SCL"), a 95% subsidiary of the Company, entered into a conditional agreement with Sunshine Finance Co., Limited ("Sunshine") and Forefront International Limited whereby SCL agreed to purchase, and Sunshine agreed to sell, the hire purchase services for vehicles and equipment as well as the business of factoring currently provided and carried on by Sunshine in Taiwan (the "Business"), and certain assets relating to the Business at a consideration of approximately HK\$47 million. The transaction was more particularly described in the circular to shareholders dated 17th July 2002. Completion has taken place on 9th August 2002.

On 28th October 2002, the Group acquired a 28.57%-owned associated company at a consideration of approximately HK\$22.8 million. This associated company is principally engaged in property investment and management.

Major transactions

On 15th February 2002, a placement of 40,000,000 shares was completed and a net proceed of approximately HK\$115 million was raised.

On 25th February 2002, U-Drive Smart Card Company Limited ("U-Drive SCCL") was incorporated to develop the smart card project in Taiwan. On 1st August 2002, the issued capital of U-Drive SCCL was increased to approximately HK\$51 million. On 8th November 2002, the issued capital of U-Drive SCCL was further increased to HK\$82.1 million.

On 18th October 2002, the Group completed a syndicated term-loan facility with several bankers in the amount of HK\$140 million. As at 31st December 2002, HK\$100 million has been drawn down.

Comments on segmental information

During the year under review, revenue from sale of vehicles decreased by approximately HK\$118 million representing by about 21.6%. In line with the deterioration in global economy, the sales of vehicle segment experienced decline in both number of units sold and unit selling prices. The continuation in the depreciation of Japanese Yen has turned the Japanese brands to be much more competitive than before in relation to their prices. Loss incurred in the sale of trade-in vehicles further affected the result of this segment.

主席報告

重大收購及出售事項

於二零零二年六月二十六日，勝山財務有限公司（「勝山財務」）（本公司擁有其95%權益附屬公司）與勝山實業股份有限公司（「勝山」）及福方股份有限公司訂立一項有條件協議。據此，勝山財務同意以約47,000,000港元的代價購買而勝山則同意出售車輛及設備的租購服務，以及勝山目前在台灣提供的轉售帳款業務（「該業務」）及與該業務有關的若干資產。該交易的詳情載於本公司在二零零二年七月十七日致股東的通函內，且該交易已於二零零二年八月九日完成。

二零零二年十月二十八日，本集團收購一間擁有28.57%的聯營公司，代價約為22,800,000港元。該聯營公司主要從事物業投資及管理。

主要交易

於二零零二年二月十五日，本公司完成配售40,000,000股股份，所得款項淨額約為115,000,000港元。

於二零零二年二月二十五日，任我行智慧卡有限公司（「任我行智慧卡」）註冊成立，以便在台灣開發智慧卡項目。於二零零二年八月一日，任我行智慧卡已發行股本增加至約51,000,000港元。於二零零二年十一月八日，任我行智慧卡的已發行股本再增至82,100,000港元。

於二零零二年十月十八日，本集團與多家往來銀行訂立一筆為數140,000,000港元的銀團定期貸款備用額。於二零零二年十二月三十一日，本集團已提取100,000,000港元。

分類資料的評論

於回顧年度內，銷售汽車所得收入約減少118,000,000港元，跌幅約21.6%。由於全球經濟蕭條，汽車業務不論是出售數量或售賣單價均告下跌。日圓持續貶值，令日本品牌汽車比以前更具競爭力。二手汽車的銷售錄得虧損，進一步拖累本項業務的表現。

CHAIRMAN'S STATEMENT

Revenue from provision of after sales service decreased slightly by approximately HK\$0.2 million representing by about 0.1%. The performance for all regions had been rather stable and with the sizeable population of rolling stocks, this segment's performance was steady.

Sale of fuel under U-Drive increased substantially from approximately HK\$43.0 million to HK\$71.9 million. Year 2002 was the second year of U-Drive's full operation in Hong Kong and intensive growth had been experienced and market reception was satisfactory.

Revenue from hire purchase financing business increased from approximately HK\$1.7 million to HK\$3.0 million. The growth was due to the acquisition of the Taiwan financing business in August 2002. The financing market was both larger and much more matured in Taiwan.

Revenue from other motor related services remained stable as compared to previous year. It had not been a major contribution to the Group's margin as the main function was to complement the sale of vehicles and provision of other major services to customers.

The Group's investments were mainly in the initial stage and there was neither material appreciation nor impairment during the year under review.

Employment, training and remuneration policy

The total number of staff of the Group as at 31st December 2002 was 441.

The Group is committed to staff training and has provided regular management and technical courses to its employees. External training may be provided to individual employees as and when necessary according to their nature of work.

The remuneration policy of the Group's employees are reviewed and approved by executive directors. Discretionary bonus is linked to the profit performance of the Group as well as individual performance. Benefits include medical schemes, Mandatory Provident Fund scheme and defined benefits retirement plan. Besides, the Company has an employees' share option scheme, which was newly adopted on 2nd August 2002. The old one as adopted on 20th June 2001 had been terminated simultaneously. Up to the date of this report, no option has been granted under this new scheme.

主席報告

本集團提供售後服務所得收入微跌約200,000港元，跌幅約0.1%。所有地區的表現比較穩定由於本集團存貨滾動數量理想，故本項業務的表現比較平穩。

任我行的燃油銷售額由約43,000,000港元躍升至71,900,000港元。二零零二年是任我行全面投入運作的第二年，其業務迅速增長乃屬意料中事，而市場反應亦令人滿意。

租購融資業務收入由約1,700,000港元增加至3,000,000港元。租購融資業務攀升，全賴本集團於二零零二年八月收購台灣一項融資業務。台灣融資市場的規模相對較大，亦較香港市場成熟。

其他汽車相關服務的收入與去年相比保持穩定，此項業務並非業務重心，純屬輔助性質，令本集團向客戶銷售汽車及提供其他主要服務時可達相輔相成之效。

本集團的投資大部分屬於初步階段，於回顧年度內並無重大增值或減值。

僱傭、培訓及酬金政策

本集團於二零零二年十二月三十一日共有441名員工。

本集團致力提供僱員培訓，一直為其僱員提供定期的管理和技術課程。本集團於必要時亦會按個別僱員的工作性質提供外來培訓。

執行董事負責審閱和批准本集團僱員的酬金政策，酌情花紅與本集團的盈利表現和個別人士的表現掛鉤。福利包括醫療福利、強制性公積金計劃和定額福利退休計劃。此外，本公司設有僱員購股權計劃，該計劃於二零零二年八月二日採納，而於二零零一年六月二十日採納的舊計劃已經同時終止。直至本報告發出當日，本集團概無根據新計劃授出任何購股權。

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Charge on group assets

As at 31st December 2002, the Group's borrowings and banking facilities were secured by the following:

- (i) The Group's inventories with a carrying value of approximately HK\$40,470,000 (2001: HK\$57,955,000) held under trust receipts bank loans;
- (ii) Pledges of the Group's other investment in Taiwan with a net book value of approximately HK\$1,743,000 (2001: nil);
- (iii) Pledges over certain inventories (vehicles) owned by the Group with a carrying value of approximately HK\$1,504,000 (2001: HK\$5,228,000);
- (iv) Pledges of the Group's bank deposits in Taiwan of approximately HK\$6,455,000 (2001: HK\$3,476,000);
- (v) Pledges over certain vehicles of the Group's customers which are pledged to the Group as security for finance leases granted by the Group.

Group's contingent liabilities

Details of contingent liabilities not provided for in the accounts are guarantees provided in respect of banking facilities granted to customers of approximately HK\$68.5 million (2001: nil).

Future plans for material investments or capital assets

The Group had the following plans for investments:

- To set up vehicle assembly business to achieve vertical integration and enhance profit margin. Such business can be developed into the assembly of chassis and bodies of heavy commercial vehicles.
- To promote the "Smart Card" in Taiwan by negotiating with different transport and retail networks with the aim at forming alliances to enhance the Smart Card utilization rate.

主席報告

對集團資產的抵押

於二零零二年十二月三十一日，本集團的借貸及銀行備用額以下列各項抵押：

- (i) 本集團以信託收據銀行貸款持有的存貨，其帳面淨值約40,470,000港元（二零零一年：57,955,000港元）；
- (ii) 由本集團於台灣的其他投資作抵押，其帳面淨值約1,743,000港元（二零零一年：無）；
- (iii) 由本集團擁有若干存貨（車輛）作為抵押，其帳面淨值約1,504,000港元（二零零一年：5,228,000港元）；
- (iv) 以本集團在台灣約6,455,000港元（二零零一年：3,476,000港元）的銀行存款作為抵押；
- (v) 以本集團客戶若干車輛作抵押，該等車輛乃該等客戶獲本集團授出融資租賃而質押予本集團作為抵押品。

本集團的或然負債

概無載於帳目內的或然負債詳情乃授予客戶約68,500,000港元（二零零一年：無）之銀行備用額所作的擔保。

未來重大投資或資本資產的計劃

本集團訂定以下的投資計劃：

- 建立車輛組裝業務以達致縱向整合、提高盈利率。該項業務能夠發展至組裝重型商用車輛的底盤及車身。
- 於台灣推廣「智慧卡」，積極與不同運輸及零售網絡磋商，旨在組成聯盟以提高「智慧卡」的使用率。

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- To continue to establish more self-operated service centres and authorized service centres in the Greater China Region in order to provide convenient accessibility to its customers.
- To expand the financing capabilities of the Group's vehicle financing arms
- To invest in new computer hardware and software as well as to upgrade the computer information system and information technology of the Group.

Exposure to fluctuations in exchange rates

The Group is subject to foreign currency exposure since its purchases are mainly denominated in US dollars and Euro, while the income it derives from the sale of vehicles and provision of after sale services are mainly denominated in NT dollars, Hong Kong dollars and US dollars. The Group closely monitors its foreign currency exposure and hedges such exposure through the use of short-term forward foreign exchange contracts from time to time.

OUTLOOK

Hong Kong's economy has been experiencing fundamental changes and is still uncertain in its structure. With worries about deflation and 'double-dip' recession which had affected both corporate and consumer confidences, various macro-factors are moving forwards – the continual growth in China, the dynamic partnership with the Pearl River Delta, prevailing low interest rates and possible rebound from tourism. However, in the short run, recovery will not be all too promising, in particular with the devastating effects of American Iraq War which no doubt hurting recovery of economy worldwide. The outbreak and extended Atypical Pneumonia disease which had widely spread in Hong Kong, Guangdong Province and others resulted in further deterioration in purchasing sentiment and consumers' confidence. Deflationary ride seemed to be a lasting scene at least in short to medium terms.

Despite the above-mentioned unfavourable conditions, the Group will continue to strengthen our position by implementing better cost control measures and actively exploring sound business opportunities.

主席報告

- 繼續在大中華區內增設自行操作的服務中心及特許服務中心，從而方便客戶。
- 擴展本集團汽車融資業務的融資能力。
- 投資新電腦硬件及軟件，以及提升本集團電腦資訊系統及資訊科技。

匯率波動的風險

鑑於本集團的採購主要以美元及歐元定值，而銷售汽車及提供售後服務產生的收入則主要以新台幣、港元及美元定值，故本集團須承受外匯風險。本集團密切監察其外匯風險，並不時以短期的外匯遠期合約對沖有關風險。

展望

香港經濟目前仍然在經歷基本因素之轉變及仍不明朗。儘管通縮及「衰退重現」的憂慮甚囂塵上，打擊不少公司及客戶的信心，然而，中國增長持續、香港與珠江三角洲建立的互動合作關係、現時息率偏低，旅遊業漸見復甦等多項宏觀因素顯現經濟已逐步向好。經濟難望於短期內復甦，尤其是美伊戰事帶來的負面影響，加上粵港及其他地方爆發非典型肺炎事件尚未平息，進一步減低消費意慾及信心，而通縮情況似乎仍會在可見未來持續。

儘管面對上述的不利環境，本集團會亦會積極探求更多商機，以鞏固地位。

CHAIRMAN'S STATEMENT

The Group is in the final stage of setting up the assembly plant in Taiwan. The local assembly of vehicles is part of the Group's vertical integration plan and it helps to enlarge the Group's earning base.

The first phase of U-Drive Smart Card in Taiwan has been completed and the official launch will take place in July 2003. Initial usage will be concentrated on public transports and convenience stores, and eventually it will develop into a wider range of consumer areas.

The Group strongly believes that the best way to ride through the difficult times is to take pre-emptive measures and to balance risk and return at the same time. The core measure is to continue to optimize our competitive advantages.

DIVIDEND

The directors did not recommend the payment of final dividend in respect of the year ended 31st December 2002 (2001: HK cent 0.8 per share).

APPRECIATION

Finally, I would like to express my deepest gratitude to all our staff for their loyalty and dedication and our customers, suppliers, bankers and shareholders for their continued support.

Liu Chen Wei, Jerry
Chairman

24th April 2003

主席報告

本集團興建組裝廠房的籌備工作已踏入最後階段。於本地組裝車輛是本集團縱向整合計劃其中一環，此舉可擴大本集團的盈利基礎。

於台灣推出任我行智慧卡的首階段工作已經圓滿結束，並將於二零零三年七月正式推出市場。任我行智慧卡初期會集中在公共交通及便利店使用，最終拓展至其他消費領域上。

本集團深信，採取積極進取的策略，同時平衡各方風險及回報，以持續加強競爭優勢為首任，是本集團在逆境中衝出重圍的致勝之道。

股息

董事並不建議派付截至二零零二年十二月三十一日止年度的末期股息（二零零一年：每股0.8港仙）。

鳴謝

最後，本人謹對全體員工對本集團的忠誠及努力致謝，並對一直鼎力支持本集團的客戶、供應商、往來銀行及股東致以最深切謝意。

主席
劉振偉

二零零三年四月二十四日