

## MANAGEMENT DISCUSSION

Dear Shareholders,

On behalf of the board of directors of the Company (the "Board"), I would like to report on the operations and other aspects of the Group for the year ended 31 March 2003 .

### FINANCIAL RESULTS

Turnover of the Group for the year ended 31 March 2003 was HK\$11,452,000 representing a 83.6% decrease as compared to that of the year 2002. The Group recorded a net gain attributable to shareholders of HK\$711,364,000 for the year ended 31 March 2003 as compared with a net loss of HK\$444,368,000 recorded for the year 2002.

### DIVIDEND

The Board does not recommend the payment of any dividend during the year.

### OPERATIONAL REVIEW

The past annual fiscal year represented a significant period of transition for the Group, in which a major debt restructuring with previous creditors was successfully completed in December 2002. With the new controlling shareholder and management team being changed as a result, the Group is embarked on a new vision to redevelop its businesses and expand into other lines of operations.

Upon taking over the Group's existing operations after the restructuring, the new management has been targeting at focused strategic objectives in an attempt to build a solid foundation for ongoing future developments. The

Group has maintained the general business nature of the existing business, which has been primarily contributed by the Group's joint-venture subsidiary, Tianjin Guangying Automotive Mirror Company Limited ("the manufacturing subsidiary"). The new management has also been actively identifying key valuable attributes of the operation and leveraging these attributes under a new business paradigm for a revitalized business and expanded client and revenue base. The Group has also, based on a new business plan, commenced exploring other opportunities and new investments, which are in line with or will provide synergies to the Group's principal activities.

The first quarter of 2003 has undoubtedly been a difficult period for the global and local economies, with the negative impacts from the US-Iraq war and outbreak of SARS. As a result, the Group's progress of expanding the existing revenue base has been slowed. New commitments to commercial contracts and other new investments have also been adversely affected by the fact that physical access to locations outside of Hong Kong has been obstructed.

The Group has been pursuing the strategy of leveraging on the manufacturing subsidiary as a base for groupwide expansion on car-related accessories and other related businesses. The Group's strategy involving the subsidiary involves the expansion of product sourcing and manufacturing capabilities; efforts to lower supply

costs and the expansion of the customer base into the mainland. Coinciding with the Group's new overall China strategy—expansion of customer base and distribution channels in mainland China for a variety of products—the subsidiary will continue to provide a solid springboard for any additional operations of the Group that require local know-how and back-end infrastructure.

The Group has also made efforts in modernizing and enhancing the operating efficiency of its trading and distribution processes. The manufacturing subsidiary has been actively seeking supply chain management systems as well as developing its own logistical and inventory control systems. The utilization of these systems will enable the Group to streamline its trading and distribution operations into a cost-efficient, automated industrial platform.

### LIQUIDITY AND FINANCING

The Group's non-current assets of approximately HK\$2,313,000 comprised mainly of plant and equipment. These non-current assets were principally financed by shareholders' funds. As at the year-end date, the Group has net current assets of approximately HK\$219,000.

The Group's major debt is shareholder's loan which is unsecured, interest free and not repayable within the next twelve months.

## MANAGEMENT DISCUSSION (*Continued*)

As at 31 March 2003, the Group maintained an insignificant gearing ratio, calculated on the basis of the Group's net borrowings (after deducting cash and bank balances) over shareholders' funds.

### PLEDGE OF ASSETS

As at 31 March 2003, the Group has not pledged any kind of assets.

### EMPLOYEES

As at 31 March 2003, the Group had no employees in Hong Kong and 77 employees in the People's Republic of China. The employees were remunerated on a daily contractual basis, taking into account the composition of pay and the general market conditions. The remuneration policies are subject to review by the Directors of the Group.

Since the restructuring in December 2002, the administrative and management functions of the Group in Hong Kong were supported by a team of personnel provided by the controlling shareholder on service contract while the Group reviewed its Hong Kong employment strategy and policy.

### FUTURE PROSPECTS

The Group's new management team anticipates that China will be the world's fastest growing economic region within the next decade. Despite the slowdown of the global economy, the Group remains confident that there would be abundant business opportunities with respect to our existing operations as well as new potential investments.

Amongst many lucrative industries in China, automobile industry represents one of the economy's pillars. In 2000, China had 3,028 automobile manufacturers and 2,430 automobile parts and fittings makers. There were 16 million automobiles in China, representing a penetration rate of 12.7/1,000 people, far from the world averages of 125. China's automobile industry is also one of with heavy foreign investments. The entry of foreign investment has not only eased the shortage of funds, but also speeded up the process of optimization of the industrial structure and product upgrading.

Due to the strong fundamentals of China's economy, the Group believes that there are potential possibilities of participating in joint ventures and investments in relation of the core automobile industry and fringe related enterprises with other Sino and foreign partners. The management has identified and held discussions with various potential parties whom are based in the Pearl River Delta region and engaged in automobile production, components and fittings production, related consumer electronics products as well as logistics and transportation services.

In view of the strong fundamentals of China's economy and the anticipation of increasing consumption levels in the mainland, the Company is also seeking opportunities to leverage on the nation's consumers markets. China's Central Government is consistently adopting the necessary

means to stimulate consumption growth to realize a sustained, rapid and healthy growth of the national economy. Based on this analysis, the Group is looking to tap into the potential of the consumer-related and lifestyle-related markets with a view to develop a synergistic business platform and revenue model.

Throughout the past year, the Group has made tremendous efforts in arriving at a stable and comfortable financial position. In our existing car-component production and distribution business, we will continue to drive for improved efficiency across our operations and expand our market reach. The year saw dramatic changes in the global economic landscape, whilst our motherland's economy remains strong and performing. With strong ties to the mainland, Hong Kong and its business activities are well positioned to benefit from the performing mainland economy.

Going forward, the management intends to pursue an aggressive yet prudent approach in terms of participating in new contracts, projects and investments, with a view to develop long-term shareholder value and profitability.

**GOUW Kar Yiu, Carl**

*Vice Chairman &  
Managing Director*