

INTERIM DIVIDEND

At a meeting of the Board held on 15 August 2003, the Directors resolved not to pay an interim dividend to shareholders (2002: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

For the period ended 30 June 2003, the Group recorded a decrease in turnover of approximately 67% from approximately HK\$47,566,000 in 2002 to HK\$15,619,000 in current period whereas the Group has resumed to a profit-making position and a net profit of approximately HK\$903,000 was recorded as compared to net loss of HK\$100,497,000 in the same period last year. This remarkable improvement in financial performance was attributable to management's efforts in streamlining the business operation, tapping up new investment opportunities and implementing effective cost control policy.

Business Review

Subsequent to the financial restructuring completed in June 2002, the Group, while maintaining its information & technology business, has been undergoing a series of business reforms. The management identifies that there will be enormous business opportunities and growth potential emerged from the sedan market in the PRC, the Group thereby capture such opportunities by signing the Joint Venture Agreement ("JV Agreement") with 吉利控股集團有限公司 (Geely Holding Limited) ("Geely Holding"), a renowned automobile manufacturing enterprise in the PRC, on 30 March 2003 for the establishment of a sino-foreign equity joint venture, named as Zhejiang Geely Guorun Automobile Company Limited ("the JV Company"). The Group is then beneficially interested in 46.8% of the registered capital of the JV Company.

The JV Company was established in 27 May 2003 and has commenced operation since 1 June 2003, it situates at Beilun Economic and Technological Development Zone, Ningbo, Zhengjiang Province and principally engages in manufacturing 2 models of sedan of economy class, namely, "Geely Merrie" and "Geely Unlion". During the period, the JV Company has contributed approximately HK\$5,400,000 to the Group's net profit.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)***Prospects**

Coupled with significant growth of average income and living standards of the PRC citizens, automobile productions and sales are expected to exhibit a robust growth in the PRC, especially in the sedan market. According to some experts, it is anticipated that the PRC will become one of the five largest automobile manufacturing nations in 2003, sales of automobile will reach 10 million units in 2010, the PRC will be the largest automobile manufacturing and consuming nation in 2015. At present, the gross domestic product per capita amounts to approximately US\$1,000 in the PRC, while the figure even reaches US\$4,000 in not less than 20 cities. In addition, mounting home ownership rate, declining household debt, increasing popularities of holiday consumption and preference for personal travel broaden the rooms on automobile expenditure and the recent emergence of the middle class population will lead to enormous and continuous demand for sedans, particularly the economy class.

The JV Company recorded a monthly sales of approximately 3,500 sedans in June 2003 and it is forecasted a total of 24,000 units will be sold in the second half of 2003 while the forecast annual sales of sedans is 100,000, 150,000 units in 2004, 2005, respectively and will even climb to 250,000 units in 2007. The management expects the increasing production capacity and sales proportion of higher end models will lead to a further reduction in production cost and can thereby improve the overall profit margin.

The co-operating partner of the Group, Geely Holding, has its automobile manufacturing base situated at Zhejiang Province and the adjacent Shanghai Jinshan Industrial Zone. Zhejiang Province is one the most important manufacturing base in Yangtze River Delta and is a concentrated zone of automobile-related accessories in the PRC. Apart from sales of models like "Geely Haoqing", "Geely Merrie", "Geely Unlion" on a limited basis, two leisure sports models, "Shanghai Maple" and "Geely Beauty Leopard", will be launched on a limited basis in this year. Besides, three enhanced models of international standard co-developed with Daewoo International Corp, Italy Maggiora SPA Auto Project Group and Germany Ruecker will be launched in the second half of 2004 and 2005. Geely Holding sets her medium-term targets at manufacturing and sales of 600,000 sedans in 2007.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Prospects *(Continued)*

“Low-cost production” is the core competence of Geely Holding whilst having launched a total of five models of sedans developed by in-house research institute and the proposed launch of three models co-developed with three world-famous automobile corporations, Geely Holding will surely be recognised as the well-developed automobile research and development institute in the PRC domestic automobile market.

Pursuant to the terms of the JV Agreement signed with Geely Holding, the Group has the priority to gradually acquire or invest in other production facilities, engine and gearbox plants, research and development institutes, sales and after-sales service network of Geely Holding in the next two years.

Looking ahead, the investments in the JV Company will enable the Group to enjoy the growth potential in the PRC automobile industry and market. As such, the Group will seize the vast development opportunities of the PRC automobile market by continuing and even expanding the automobile manufacturing business. Having the first batch of “Geely Merrie” sedans exported to the overseas markets on an experimental basis, the Board believes that the value-for-money products of “Geely” brand will excel both in the prosperous domestic market and the overseas markets. The existing JV Company and the future possible acquisition opportunities is expected to have greater profit contributions to the Group and will correspondingly increase shareholders’ return.

LIQUIDITY AND CAPITAL STRUCTURE

As at 30 June 2003, the Group’s bank balances and cash amounted to approximately HK\$6,436,000 (31 December 2002: HK\$2,523,000.) Total bank borrowings amounted to approximately HK\$2,253,000 (31 December 2002: HK\$2,345,000), out of which HK\$1,129,000 (31 December 2002: HK\$1,220,000) was classified as non-current liabilities.