CHAIRMAN'S STATEMENT

ANNUAL RESULTS

Since the audited turnover slipped 84 per cent from that of last financial year, the audited net loss attributable to shareholders for the year, amounting to HK$5.07 million, increased by two times that of last year. Despite the dissatisfaction of business performance, the directors of the Company (the "Directors") are pleased to achieve another remarkable 57 per cent decrease in the overall running costs through the strict cost control measures adopted years ago. Number of employees had been maintained at minimal level to produce maximum productivity, resulting in a significant cut of almost 35 per cent and 57 per cent in staff costs as compared to those of last year and 2001 respectively. Other revenue in 2003 even experienced a bigger drop of 88 per cent from that of last year mainly because of the lack of huge write-back of taxes and accruals as last year.

BUSINESS REVIEW

Despite China has become the world's third-biggest vehicle market since its accession to the World Trade Organisation in late 2001, the board of Directors (the "Board") admits that the Group had experienced another bad performance year in 2003. A decade of economic growth at an average 8 percent per year has created a generation of wealthy businessmen in China. The country had 210,000 millionaires, according to Cap Gemini Ernst and Young's 2003 World Wealth Report. Furthermore, easier financing is encouraging more people to buy cars. These favorable market conditions explain car sales in China rose one-third in 2003 though the gradual elimination of the nation's tariff protection against imported vehicles had ushered in fiercer competition. Unfortunately, the Company did not have sufficient merchandise to satisfy the expansion of the market. The major reasons were similar to those disclosed in our 2003 interim report.

To further reduce the burden of financial expenses, the Group disposed of two of its investment properties at a total net consideration of HK$11.18 million during the year under review. For increasing working capital fund and reducing indebtedness in 2003, the Company entered into subscription agreements with 4 independent investors for the placing of 52,000,000 new shares of the Company at a price of HK$0.02 per new share on 18 August 2003. The 52,000,000 new shares were issued on 15 September 2003, raising net proceeds of approximately HK$0.95 million. Another placing for similar purposes took place on 5 December 2003 where 63,300,000 new shares of the Company were allotted to 6 independent investors at a price of HK$0.016 per new share, raising net proceeds of approximately HK$0.90 million.

Subsequent to the balance sheet date of the year under review, the Company entered into a conditional agreement with an independent investor for the placing of 265,100,000 new shares of the Company at a price of HK$0.018 per new share on 4 February 2004, hoping to raise additional working fund of approximately HK$4.31 million. On the same date, the Company also entered into a conditional loan capitalisation agreement with Winsley Investment Limited ("Winsley"), a related company as described under the section named "Related Party Transactions" in "The Report of the Directors" of this annual report, involving a possible subscription for 430,000,000 new shares of the Company at a price of HK$0.018 per new share. This event constitutes a connected transaction under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the Company made announcement in relation to this event on 17 February 2004. A circular containing the details of this event had been despatched to the shareholders of the Company ("Shareholders") on 9 March 2004 and a special general meeting for approving the relevant resolutions of this event was held on 1 April 2004. Further update on this event is disclosed in the note 34 to the financial statements.

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FINANCIAL SUMMARY

Throughout the year under review, the Group had no exposure to credit risk, inventory risk, fluctuation in exchange rates and any related hedges because our tight control of working capital management on the credit policies, inventory, funding and treasury planning was proven effective. At year-end date, the Group's trade receivables decreased to HK$87,000 (31 December 2002: HK$190,000). Since most of the receivables were less than 3-month old, the Directors considered unnecessary to provide significant provision for doubtful debts for the year.

Although the Group maintained insignificant amount of slow-moving inventories in 2003, the Directors believed that writing down 50 per cent of the value of the inventories at 31 December 2003 to $369,000 (31 December 2002: HK$824,000) was justified to reflect their market realizable values. It was because these inventories became more than 9-month old.

As at 31 December 2003, the Group's net current liabilities and net liabilities amounted to HK$24,515,000 and HK$16,650,000 respectively (31 December 2002: HK$33,029,000 and HK$13,428,000 respectively). At the same day, the Group's cash and bank balances amounted to HK$1,357,000 (31 December 2002: HK$3,360,000). The total bank loans and overdrafts at 31 December 2003 were HK$13,260,000, a 43 per cent decrease from such balances at 31 December 2002. No time deposits were pledged to back the banking facilities granted to the Group at 31 December 2003 (31 December 2002: HK$nil).

In terms of liquidity, the current ratio at year-end date was 0.08 (31 December 2002: 0.12). The Group's gearing ratio, resulting from a comparison of the total borrowings with issued capital, was 6.1 at 31 December 2003 (31 December 2002: 12.6).

For the year ended 31 December 2003, the Directors are not aware of any significant change from the position as at 31 December 2002 and the information published in the report and accounts for the year ended 31 December 2002. The capital structure of the Company only consists of share capital, no other capital instrument was issued by the Company.

FUTURE OUTLOOK

It is undoubtedly that China is now the world's fastest growing auto market and it will continue to grow rapidly in the years to come. Total vehicle manufacturing capacity in the nation will exceed 14 million vehicles by 2007 as a result of huge investment of domestic and foreign carmakers. Exceeding four million units of vehicle output, including 1.8 million passenger cars were produced in 2003. From three million units in 2002, the car sales in China might grow two-thirds to about five million units in 2006.

Also, market conditions in China have rapidly been changed to align with the growth of the nation's automotive market. Not just the fast-growing low-end, small-car segment, most global automakers have already begun to form joint ventures in China to produce and market luxury sedans, targeting on the premium-car segment where consumers are pursuing individuality and a high quality of life in mainland. The Germany-based BMW started making 5-series and 3-series sedans in northeastern China by October 2003. In this year, the Audi unit of Volkswagen, the first foreign carmaker to assemble passenger cars in China, makes A6 and A4 models and already achieves 40 percent of the mainland's luxury car market. Catching up with the footsteps of rivals, General Motors, the world's biggest auto manufacturer, begin making Cadillacs limousine in Shanghai while DaimlerChrysler's Mercedes Benz unit plans to make E-class and C-class in Beijing not later than 2005.

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Beginning in 2003, the traditional importers have also made strategic move. Ford Motors, for example, sold imported Volvo and Land Rover models in China and would very likely shift to local assembly in this year unless the sales numbers are not high enough to support such a shift from import to local production. All these market moves send a strong message to overseas distributors including us that import of vehicles to China will soon be diminished to minimal. Should we decide to stay in the auto import business, the Board believes that direct sale and marketing in China is the only alternative left for the Group. We should figure out the opportunities to become a new entrant to the direct marketing channel of the automobile industry in China. Therefore, the Board is determined to seek for any possible opportunities to establish the agency relationship with mainland joint-venture automakers. The Directors believe that running franchised outlets in China is the most effective way of overturning the Group's future performance. Successful alliance of co-operation is a win-win strategy for the Group and its mainland associates.

Similar to the past few years, the key business issue for the Group remains unsolved. The Group needs working funds to sustain its business in the forthcoming years. Given the unsatisfactory performance in the past five years, the existing banking facilities have been greatly diminished. The Board admits that the grant of banking facilities from other banks is extremely difficult but the Directors would carry on the attempts with all necessary means to explore new sources of banking facilities. Negotiating with other bankers is the first priority job for the Board to restore the Group's purchasing powers.

Chan Chun Choi
Chairman

Hong Kong, 16 April 2004