

REPORT OF THE DIRECTORS

The Directors present their annual report and the audited financial statements for the year ended 31 December 2003.

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 three largest customers of the Group accounted for 100 per cent of the Group's turnover for the year and sales to the largest customer included therein amounted to approximately 83 per cent.

The aggregate purchases attributable to the largest suppliers accounted for all of the Group's purchases for the year. 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 three largest customers and the Group's largest suppliers.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2003 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 20 to 61.

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

CHARITABLE DONATIONS

No charitable donations made by the Group during the year (2002: HK\$2,000).

SEGMENTAL INFORMATION

Details of segmental information are set out in note 31 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 24 to the financial statements.

RETIREMENT SCHEME

The Group has implemented a provident fund scheme for its staff in compliance with requirements of the Mandatory Provident Fund ("MPF") Schemes Ordinance from 1 December 2000. The Company contributed according to the minimum requirements of the 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 26 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 27 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2003, 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 2003.

CONTINGENT LIABILITIES

Details of contingent liabilities of the Company and the Group as at 31 December 2003 are set out in note 29 to the financial statements.

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SIGNIFICANT ISSUES

During the year, there were no significant investments and material acquisitions or disposals of subsidiaries or associated companies. 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. The significant commitments of the Company and the Group are set out in note 35. (2002: nil).

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

RELATED PARTY TRANSACTIONS

At the balance sheet date, the outstanding balance due to Winsley amounted to HK\$7,674,000 (2002: HK\$7,776,000), a company controlled by Mr. Chan Chun Choi ("Mr. Chan") and Madam Lam Mo Kuen, Anna ("Madam Lam"), both of whom are Directors. The amount is unsecured, interest-free and has no fixed terms of repayment. The settlement of the outstanding balance due to Winsley is disclosed in the note 34 to the financial statements.

SIGNIFICANT POST BALANCE SHEET EVENT

Details of significant post balance sheet event are set out in note 34 to the financial statements.

EMPLOYEES

As at 31 December 2003, the Group had a total of 10 employees (2002: 10 employees), of whom 7 were based in Hong Kong whereas 3 were local staff employed in the PRC. The remuneration package for Hong Kong staff was strictly on a monthly-salary basis and that for the PRC employees 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\$1.7 million (2002: HK\$2.6 million). On irregular but necessary basis, the Company organised product seminars, salesmanship and computer training courses and recreational activities.

The Group did 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\$7.92 million (2002: HK\$19.6 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. The Group's leasehold land and buildings were valued at HK\$7.9 million.

ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

During the year, there were no material acquisitions and disposals of the Company's subsidiaries. As set out in note 17, eSolutions Holdings Limited ("eSolutions"), the Group's former associate was dissolved with effect from 2 January 2004 pursuant to the Order of the Court of First Instance of the High Court.

DIRECTORS

The Directors of the Company during the year were:

Executive Directors:

Chan Chun Choi	(Chairman and Managing Director)
Lam Mo Kuen, Anna	(Deputy Chairman)
Lu Su Hua	(Appointed on 6 October 2003)

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, Yuen Kwok Wah, Bernard and Lu Su Hua will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company on 28 May 2004 (the "2004 AGM").

DIRECTORS AND SENIOR MANAGEMENT BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 4 to 6 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.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the 2004 AGM has a service contracts with the Company which is not determinable by the Group within one year without payments other than statutory compensation.

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DIRECTORS' INTERESTS IN CONTRACTS

Except as disclosed in the note 32 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 its subsidiaries of the Group ("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 Listing Rules on the Scheme. 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.

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

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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 26 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 the Scheme.

Other than the share option scheme as described in note 26 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 of the Group 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 Company's 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:

(i) The Company

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

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, including Madam Lam. Mr. Chan holds all the issued shares of EVEI.

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(ii) Associated Corporation

Name of associated corporation	Name of Directors	Number of shares held	Class of shares	Type of interest
Victory Motors Centre Limited	Mr. Chan Chun Choi	100,000	Non-voting deferred	Personal
		2,800,000	Non-voting deferred	Corporate (Note)
Victory Motors Centre Limited	Madam 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 Mr. Chan and Madam Lam 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 person other than EVEL, whose details of share interest are set out under the section headed "Directors' interests in share capital", was registered as having an interest of 10% 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

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the annual report.

AUDITORS

Fan, Mitchell & Co. were first appointed as auditors of the Company in 2002 upon the resignation of Ernst & Young.

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 2004 AGM.

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APPRECIATION

Although the operating results for the financial year under review were again unsatisfactory, 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. In 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 and Managing Director

Hong Kong, 16 April 2004