ANNUAL RESULTS

Despite the directors of the Company (the "Directors") had tried hard to achieve a significant two-fold increase in the turnover of the Group in 2005, the Group suffered another bad financial year from the shrinkage of other revenue and the inflation of operating costs. The target to keep the overturn of the Group's bottom-line result for the year under review had missed. As a combined result of 13.36 percent decrease in other income and 26.68 percent jump in the overall running expenses, the Group hereby reported a net audited loss of HK$1,175,000 for the year ended 31 December 2005 (31 December 2004: restated net audited gain of HK$111,000).

BUSINESS REVIEW

The audited net loss for 2005 was primarily caused by the drastic slip of the gross profit margins in the distribution business of automotive products in Hong Kong, quite contrary to the favorable conditions in last year. Under the new accounting standards adopted in 2005, the re-valuation of the Company's investment property created little economical benefits to the Group's 2005 accounts. The turnover was increased significantly due to two main reasons. First, the importing constraints in China, especially in late 2005, had been conditionally lessened. Second, the Company was able to procure more merchandise in the year. Apart from an once-and-for-all write off, the overall running cost had been sustained at its minimal level through the strict cost control measures adopted years ago. The human resources had also been maintained at the least possible status to generate maximum productivity. In brief, the cost structure of the Group has always been successfully locked at the least possible efficient level.

The Board must admit that the Group's results were continuously hindered by the supply of new working capital throughout the year under review. For the past six years, it was the best we could do to operate in such a minimal funding support. The dealership of the automotive products demands an influx of enormous working fund, as it always does. The Group had experienced failures in various attempts of exploring new banking facilities but the Board is still determined to improve the funding position in the near future nonetheless.

To improve the cash flow of the Group, the Company managed to undertake a scheme of fund raising. On 20 September 2005, Winsley Investment Limited, a substantial shareholder of the Company (the "Vendor"), entered into a placing agreement and a top-up subscription agreement with the placing agent and the Company respectively. Pursuant to the placing agreement, the Vendor agreed to place, through the placing agent an aggregate of 215,000,000 ordinary shares of HK$0.01 each ("Shares"), on a fully underwritten basis, to not fewer than six independent placees at a price of HK$0.035 per Share. Pursuant to the top-up subscription agreement, the Vendor conditionally agreed to subscribe for an aggregate of 215,000,000 new Shares at a price of HK$0.035 per Share. The whole fundraising exercise completed on 6 October 2005 where the top-up subscription Shares were allotted and issued pursuant to the general mandate granted to the Directors at the Company's annual general meeting held on 18 May 2005. The net proceeds from the top-up subscription amounting to approximately HK$7.06 million were mainly used for the repayment of bank overdraft of HK$5 million and as the general working capital of the Group.

Chairman's Statements

As the market price of the shares of the Company approached the extremities of HK$0.01 and at the request of the Stock Exchange and pursuant to Rule 13.64 of the Listing Rules, the Directors had to implement the share consolidation. The Directors also considered that the share consolidation would increase the attractiveness of the consolidated shares of the Company to certain investors and reduce certain listing expenses to the Company. Pursuant to an ordinary resolution passed at a special general meeting of the Company held on 20 December 2005, every ten issued and unissued ordinary shares of HK$0.01 each in the share capital of the Company were consolidated into one consolidated share of HK$0.10 each in the share capital of the Company.

FINANCIAL SUMMARY

Throughout the years presented, 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 increased to HK$50,000 (31 December 2004: HK$ nil) while there had been no inventories (31 December 2004: HK$ nil) due to shortage of working fund.

As at 31 December 2005, the Group's net current liabilities amounted to HK$15,347,000 (31 December 2004: HK$17,197,000, as restated) and net assets amounted to HK$737,000 (31 December 2004: restated of net liabilities of HK$5,155,000). At the same day, the Group's cash and bank balances amounted to HK$598,000 (31 December 2004: HK$2,777,000). The total bank loans and overdrafts at 31 December 2005 were HK$10,518,000, a 27.8 per cent decrease from such balances at 31 December 2004. No time deposits were pledged to back the banking facilities granted to the Group at 31 December 2005 (31 December 2004: HK$ nil).

In terms of liquidity, the current ratio at year-end date was 0.07 (31 December 2004: 0.15, as restated). The Group's gearing ratio, resulting from a comparison of the total borrowings with issued capital, was 1.28 at 31 December 2005 (31 December 2004: 1.89).

FUTURE OUTLOOK

It is apparent that lots of unfavorable trading barriers have been gradually removed in the automotive industry during 2005. However, local distributors such as the Company have been exposed to a more vigorous competition ever experienced in the market. To fight against the strong world-class competitors, the required capital is exactly what the Group lacks of. We know a high cost-effective structure is not sufficient to carry on our trading business, enhancing sources of revenue through change of market focus must be quickly materialized.

Chairman's Statements

In the years to come, China is still the principal market for the Group's automotive trading business. From 2006 onward, the Group puts its market focus on the second-tier cities in China. The Group's limited funding will be placed on those small, middle-to-low range automobiles and their related parts and components, giving up on the sale of luxurious top-model merchandises which demand relatively much larger pool of funding. China's automotive market took off first in the wealthier coastal cities about six years ago but now the demand is rising inland, where lower incomes, coupled with rising fuel costs, have made low-range automobiles a popular choice. The Directors believe that the ability to gather working capital directs the Group's strategic planning and business developments. Evidently, direct marketing channel in China's second-tier cities requires relatively much smaller-scale building of the operational infrastructure, including the acquisition of both capital and human resources. In late March 2006, the European Union and the United States had turned to the World Trade Organization ("WTO") to urge China to lower restrictions on imports of auto parts. A request for a WTO dispute panel to rule on the issue had been lodged and a resolution is to be expected in early June this year. The Group's exports of auto parts to China will then be greatly benefited when the issue is resolved amicably.

Funding has long been the main obstacle in the way of overturning our business environment, but developing such trading channel in China's second-tier markets is inevitably the immediate goal of the Group. It is the right way to go and we have to do it so the Board is therefore determined to improve the funding situation in the years ahead. Existing negotiations and any local opportunities in Hong Kong shall continue in addition to the attempts of new banking facilities from mainland capital markets. Staying in the frontier of survival, the Board is making its best effort to fix things right.

Chan Chun Choi
Chairman

Hong Kong, 7 April 2006