

FINANCIAL REVIEW OF HONG KONG AND MAINLAND CHINA

Due to the issues impacting the Group's operations in Taiwan, no comment is provided on the financial performance of the Group's Taiwanese operations. The comments below focus on the Group's operations in Hong Kong, Macau and PRC only. For ease of comparison, 2005 figures quoted in this section also refer only to Hong Kong, Macau and PRC.

Results for the year

During the year under review, the Group recorded a turnover of HK\$138.0 million. The loss attributable to shareholders for the year was HK\$117.1 million. Amongst the operating expenses, over 86% of operating expenses (i.e. HK\$100.9 million) was non-cash expenditure items in relation to the provision for impairment of investment in Taiwan subsidiaries (the "Taiwan Provision"). While the operating expenses before Taiwan operation were 29% lower than last year, the operating loss before the Taiwan Provision has reduced significantly to HK\$13.3 million from the same period last year of HK\$53.6 million.

Material acquisitions and disposals

During the year ended 31 December 2005, the Group did not make any material acquisitions on capital assets or investments.

Disposal of Head Office Premises at Yuen long ("Cyber Centre Property")

In December 2005, the Company disposed the Cyber Centre Property for HK\$53 million to an independent third party with one year lease back agreement. The sale generated a profit of over HK\$7 million and generated a net cash inflow of HK\$45 million. A portion of the sale proceeds was applied towards settlement of a long-standing dispute with a third party which held a disputed mortgage over the property. The dispute had dragged on for about two years and involved allegations of fraud made against the former chairman of the Group, Mr. Allen Yang Chien Chi. The disposal of the Property has significantly improved the Group's liquidity. More details regarding the settlement of the dispute and sale of Cyber Centre Property can be found in the Company's circular dated 16 December 2005.

香港及中國大陸之財務回顧

鑑於上文所述影響台灣業務之問題，本文並無提供有關本集團台灣業務財務表現之評論。下文之評論只集中討論本集團在香港、澳門及中國內地之業務營運。為方便比較，本節所錄二零零五年數字亦只指香港、澳門及中國。

本年度業績

於回顧年度內，本集團錄得營業額138,000,000港元，年內股東應佔經營虧損117,100,000港元。在經營開支中，超過86%經營開支（即100,900,000港元）為就於台灣附屬公司之投資的減值撥備（「台灣撥備」）之非現金支出項目。比較去年，如扣減台灣撥備後，經營開支下降29%，而經營虧損錄得明顯下降，由去年同期之53,600,000港元下降至13,300,000港元。

重大收購及出售

截至二零零五年十二月三十一日止年度，本集團並無就資本資產或投資作出任何重大收購。

出售位於元朗之總辦事處場所（「數碼中心物業」）

二零零五年十二月，本公司向一獨立第三方出售數碼中心物業，代價為53,000,000港元，並訂立為期一年之租回協議。該宗銷售產生溢利超過7,000,000港元，並產生現金流入淨額45,000,000港元。部分銷售所得款項已用於了結與一第三方之長期糾紛，該第三方持有該物業之有爭議按揭。有關爭議已擾攘約兩年，涉及本集團前主席楊健志先生被指詐騙。出售該物業大大改善本集團之流動資金狀況。有關了結該糾紛及出售數碼中心物業之詳情，請參閱本公司於二零零五年十二月十六日刊發之通函。

Disposal of 100% equity interests in Griffin Automotive Limited ("Griffin")

On 23 December 2005, the Group entered into an agreement with its principal supplier Scania CV AB ("**Scania**") to dispose of the entire issued share capital of Griffin, a wholly owned subsidiary of the Company which was incorporated on 17 May 2005 to carry out operations in Taiwan, to Scania for a cash consideration of US\$1,004,140. The sale generated a profit of approximately HK\$8 million. Since then, the transactions contemplated under the Taiwan distributor agreement have ceased. On the same day, the Group and Scania entered into new distributor agreements for Hong Kong, Macau, Shenzhen and Zhuhai (the "**New Distributor Agreements**") for an initial period of 30 months commencing from 27 April 2006. The New Distributor Agreements shall thereafter be automatically renewed for successive two-year periods unless terminated by at least 12 months' notice to expire on the last day of the initial period or any subsequent two-year period. More details regarding the disposal of Griffin can be found in the Company's announcement dated 23 December 2005.

Liquidity and financial resources

The Group financed its business operations largely through internally generated cash flows. Since 30 June 2005, credit arrangements have been agreed with Scania for supply of both vehicles and spare parts, allowing increased flexibility and improved management of inventory and customer orders.

As at the balance sheet date, the Group maintained cash and bank balances of approximately HK\$62.8 million (2004: HK\$14.3 million). The higher balance was resulted from the disposal of the Cyber Centre Property. The bank and other borrowings totalled HK\$82.1 million, which comprised a loan of US\$1.2 million (HK\$9.4 million) and a zero coupon convertible bond of US\$9.4 million including interest (HK\$72.7 million) of which US\$5 million (HK\$38.9 million) was subscribed but proceeds were not received. The Group's gearing ratio, calculated as total borrowings divided by total net assets, increased from 50.1% to 166.1% or 87.4% excluding the US\$5 million unpaid convertible bond. Further details of the convertible bond are contained in Note 19 to the financial statements.

出售於永德福汽車股份有限公司（「永德福」）之100%權益

於二零零五年十二月二十三日，本集團與其
主要供應商Scania CV AB（「**Scania**」）訂立協
議，向Scania出售永德福之全部已發行股本，
代價為現金1,004,140美元。永德福為本公司全
資附屬公司，於二零零五年五月十七日註冊
成立，以經營在台灣業務。該項銷售產生溢利
約8,000,000港元。自此，台灣經銷商協議項下
擬進行之交易已終止。同日，本集團與Scania
訂立於香港、澳門、深圳及珠海的新經銷商協
議（「**新經銷商協議**」），由二零零六年四月二
十七日起初步為期30個月。新經銷商協議期
後將獲自動續期兩年，除非給予最少12個月
通知，於初步期間或任何繼後兩年期間最後
一天屆滿時予以終止。有關出售永德福之詳
情請參閱本公司於二零零五年十二月二十三
日刊發之公佈。

流動資金及財務資源

本集團主要透過內部賺取之現金流為其主要
業務撥支。自二零零五年六月三十日，已就供
應汽車及零件與Scania協定作出信貸安排，及
改善存貨及客戶訂單之管理工作。

於結算日，本集團之現金及銀行結餘維持於
約62,800,000港元（二零零四年：14,300,000港
元），有較高之結餘之主要因為出售數碼中
心物業。銀行及其他借貸合共82,100,000港元，
1,200,000美元（即9,400,000港元）及零息可換
股債券（包括利息）9,400,000美元（即
72,700,000港元），其中5,000,000美元（即
38,900,000港元）獲認購但並未收到所得款項。
本集團之資產負債比率（按總資產淨值除借
貸計算）由50.1%增加至166.1%，或扣
除5,000,000美元未償付可換股債券之87.4%。
可換股債券之詳情載於隨附之財務報表附註
19內。

As at 31 December 2005, the Group's net asset value amounted to approximately HK\$49.4 million (2004: HK\$170.7 million) with total assets approximately HK\$213.1 million (2004: HK\$325.4 million). Net current assets were approximately HK\$0.9 million (2004: HK\$44.0 million) and the current ratio was 1.01 times (2004: 1.59). The existing available cash and bank balances are considered to represent adequate liquidity and capital resources for the Group's operating requirements.

Charge on group assets

As at 31 December 2005, the Group's bank deposits of approximately HK\$1,474,000 (2004: Nil) were pledged as collateral for the Group's bank facilities.

Comments on segmental information

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

Employment, training and remuneration policy

The total number of staff of the Group in Hong Kong and Mainland China as at 31 December 2005 was 84.

The Group is committed to staff training and has provided regular management and technical courses to its employees. External training may be provided to individual employees as and when necessary according to their nature of work.

The Group determines staff remuneration in accordance with market terms and individual qualifications and performance. Staff recruitment and promotion is based on individuals' merit and their development potential for the position offered. Benefits include medical schemes, Mandatory Provident Fund scheme and defined benefits retirement plan. Besides, the Company has an employees' share option scheme adopted on 2 August 2002. Up to the date of this report, no option has been granted under this new scheme.

於二零零五年十二月三十一日，本集團之資產淨值約為49,400,000港元（二零零四年：170,700,000港元），總資產值約為213,100,000港元（二零零四年：325,400,000港元）。流動資產淨額約為900,000港元（二零零四年：44,000,000港元），而流動比率為1.01倍（二零零四年：1.59）。現存可動用現金及銀行結餘足夠本集團經所需之足夠流動性及資本資源。

本集團之資產抵押

於二零零五年十二月三十一日，本集團銀行信貸額度之抵押約為1,474,000港元之銀行結餘（二零零四年：無）。

有關分類資料之意見

分類資料之詳情載於財務報表附註31。

僱傭、培訓及酬金政策

於二零零五年十二月三十一日，本集團在香港及中國內地共有84名員工。

本集團致力提供僱員培訓，一直為其僱員提供定期的管理和技術課程。本集團於必要時亦會按個別僱員的工作性質和特定需要，提供外來培訓。

本集團按照市場條件及個別之資格及表現釐定員工之薪酬。員工招聘及升遷基於個別之優點及其在所獲職位之發展潛力。福利包括醫療計劃、強制性公積金計劃及界定退休福利計劃。此外，本公司設有僱員購股權計劃，該計劃於二零零二年八月二日採納。直至本公佈發出當日，本集團概無根據此計劃授出任何購股權。

Management Discussion and Analysis

管理層論述及分析

Exposure to fluctuations in exchange rates

The Group is subject to foreign currency exposure since its purchases are mainly denominated in US dollars, while the income derives from the sale of vehicle and provision of after sale services are mainly denominated in Hong Kong dollars. Exchange rates between US dollars and Hong Kong dollars were relatively stable during the year under review. The Group has not entered into any foreign currency forward exchange contract for the purpose of hedging against foreign exchange risks involved in the Group's operations.

匯率波動的風險

鑑於本集團的採購主要以美元定值，而銷售汽車及提供售後服務產生的收入則主要以港元定值。於回顧年度，美元與港元之兌換率相對穩定，本集團並無就對沖本集團業務所涉及之外匯風險訂立任何遠期外匯合約。