

BUSINESS REVIEW

Introduction

The year under review has been difficult to say the least. Shareholders will be aware that the board of directors has been reconstituted a number of times during the year. The board has been stable and effective for the past 7 months.

The original controlling family shareholders ("the family") arranged for various financing facilities to their private companies, which included either pledging or transferring the controlling shareholding to the financiers. In early 2004, some of these facilities defaulted, and the former Chairman, Allen Yang, disappeared. This resulted in changes to the board members, to reflect the wishes of the major shareholders, which by that time were not the family, but rather major international financial institutions.

The board has tried to engage the family and negotiate a smooth transition of management control over the operating businesses. Effective control and management exists in Hong Kong, China and Macau, however despite significant efforts, the family has not been willing to handover management control in Taiwan. As shareholders will know, Taiwan represents the key component of the Group's business operations.

Despite these difficulties, the Taiwanese business has continued to operate, and in fact the business has grown and been reasonably stable. In the meantime, the board has been considering its options to secure control over the Taiwan business operations, including in the event that the family is not prepared to voluntarily relinquish control. These plans are still being finalized however the board anticipates a resolution, one way or the other, during the third quarter of 2005.

The board continues to work hard to protect the group's business, operations and assets. The board has focused on stabilizing the operations, minimizing risk from historical transactions and formulating a plan to maximize shareholder value.

業務回顧 序言

本回顧年度至少可以說是頗為艱鉅。股東知悉，本年度董事會曾有多次人事變動，而在過去七個月，董事會保持穩定及有效益。

原為控股之家族股東（「該家族」）為其本身的若干私人公司安排多項融資備用額，包括質押或轉讓其控股股權予財務機構。二零零四年初，此等備用額部分出現違約事件，而前主席楊健志芳蹤杳然。故此，董事會成員出現變動，以反映主要股東（當時之主要股東已不再是該家族，而是若干主要之國際財務機構）之意願。

董事會曾嘗試與該家族接洽，尋求管理層對經營業務之控制權得以順利過渡。香港、中國內地及澳門方面得到有效控制及管理，惟台灣方面，儘管作出了重大努力，該家族並不願將台灣業務之管理權移交。誠如股東知悉，台灣佔本集團業務之主要部分。

儘管有此等艱鉅，台灣業務繼續營運，事實上業務已有增長，並且合理穩定。同時，董事會現正考慮有關取得台灣業務控制權之選擇，其中包括倘若該家族並未準備自願放棄控制權情況下之安排。此等計劃尚未落實，惟董事會預期二零零五年第三季無論如何會有定奪。

董事會繼續致力保障本集團之業務、營運及資產。董事會集中於穩住業務營運、降低過往交易之風險及制定計劃以盡量提升股東價值。

As shareholders will be acutely aware, the business cannot operate without the continued support of Scania, represented by its exclusive right to distribute Scania products in Taiwan, Hong Kong, Macau and parts of China. Scania is critical to the success of the Group.

The board continues to work closely with Scania. The present exclusive distribution agreements expire on 26 April 2006 (now confirmed by notice from Scania; this step was taken by Scania to ensure that the agreements did not rollover automatically for a further 2 year period to 2008).

The board is presently negotiating with Scania for new exclusive distribution agreements, and remains confident of the new agreements being in place during the third quarter of 2005. The board and Scania have a shared vision of a strong and stable Group operating in Taiwan, Hong Kong, Macau and China, and the new distribution agreements will underpin the Board's strategic business plan.

The board has also investigated a number of transactions of concern, and has liaised with the Company's auditors, advisers (legal and financial) and other major stakeholders to ensure that proper control procedures are in place, stakeholders are fully informed, and that the strategic business plan for its operations is progressed urgently. Where necessary, action will be taken to recover value for shareholders.

Sales of motor vehicles

In overall terms, 2004 saw significant growth in the Group's core markets, particularly Taiwan, where vehicle sales rebounded strongly from 2003, when SARS significantly effected market sentiment. Elsewhere, vehicle sales increased more moderately, as inventory overhangs gradually unwound.

Provision of motor repair and maintenance services

Repair and maintenance services also showed steady improvement over 2003. However, improving market sentiment also brought additional challenges in the shape of a number of small and medium size workshop startups anticipating growth in the sector and competing for the Group's customer base, and competing on lower operating costs and therefore price.

誠如股東深悉，業務倚重Scania繼續支持方可順利營運，具體而言，其乃為在台灣、香港、澳門及中國內地部分地區擁有獨家分銷Scania產品權利之廠商。Scania乃本集團成功與否之關鍵。

董事會繼續與Scania緊密合作，目前的獨家分銷協議將於二零零六年四月二十六日屆滿（目前由Scania發出通知確認；Scania採取此步驟，乃為確保協議不會自動續期兩年至二零零八年）。

董事會目前正與Scania磋商新訂獨家分銷協議，並有信心二零零五年第三季可以落實新合約。董事會與Scania的共同願景，是本集團在台灣、香港、澳門及中國內地會有穩定強勁的業務營運，而新訂分銷協議將鞏固董事會的策略性業務計劃。

董事會亦已調查多項備受關注之交易，並已與本公司核數師、顧問（法律及財務顧問）及其他主要利益各方聯繫，以確保有妥善的控制程序、利益各方可以獲悉各項資料，及其策略性業務營運計劃全速進展。若有需要，將會採取行動以爭取回復股東價值。

汽車銷售

整體而言，在二零零四年，本集團的核心市場有相當增長，尤其是於二零零三年市場情緒大受沙士影響的台灣，當地的車輛銷售已見強勁反彈，而其他地方的車輛銷售則溫和增長，存貨逐漸售出。

提供汽車維修及保養服務

維修及保養服務亦比二零零三年有穩步改善。然而，在市場情緒改善的同時，亦同時出現額外的挑戰，預計業內會有很多創業型中小型工場增長，爭奪本集團的客戶基礎，並可能以營運成本及較低價格，與本集團競爭。

Executive Director's Statement

執行董事報告

Provision of other motor-related services

The provision of other motor-related services mainly consists of the sale of fuel under the Group's U-Drive brand. The vehicle fuel market became increasingly competitive in Hong Kong. The U-Drive business was able to maintain its customers base, and profitability and cash flow remained stable.

FINANCIAL REVIEW OF HONG KONG AND MAINLAND CHINA

Due to the issues impacting Taiwan mentioned above, 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 Mainland China only.

Results for the year

During the year under review, the Group's subsidiaries recorded a loss from operations of HK\$53.6 million (2003: loss of HK\$47.0 million) on turnover of HK\$176.9 million (2003: HK\$173.7 million). The net loss attributable to shareholders for the year was HK\$55.4 million.

Whilst overall profitability improved during the second half of the year, the Group has suffered from an overhang of inventory contracted for under previous management at unattractive prices, and from practices undertaken by former management aimed at offloading this inventory, often at prices yielding a gross loss. The corresponding effect on the brand's price perception in the market has taken several months to unwind. However, management's efforts to restore prices have taken effect towards the end of the year, and this is expected to be reflected in improving performance in 2005.

Bank and other borrowings

As at the balance sheet date, bank and other borrowings was HK\$85.5 million, which included a term-loan of US\$2 million (HK\$15.6 million) and a zero coupon convertible bond of US\$9 million (HK\$69.9 million). The Group's gearing ratio, calculated as total borrowings divided by total net assets, was 50.1%

提供其他汽車相關服務

提供其他汽車相關服務主要包括以本集團的任我行品牌銷售燃料。香港車輛燃料市場的競爭漸趨激烈。任我行業務得以維持其客戶基礎，而盈利能力及現金流量則維持穩定。

香港及中國內地的財務回顧

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。

本年度業績

於回顧年度內，本集團的附屬公司錄得營業額 176,900,000 港元（二零零三年：173,700,000 港元），經營虧損 53,600,000 港元（二零零三年：虧損 47,000,000 港元）。本年度股東應佔淨虧損為 55,400,000 港元。

儘管整體盈利能力在本年度下半年有改善，惟本集團在舊管理層領導下，曾訂約按不吸引之價格購入存貨，令存貨屯積，加上舊管理層曾實行清貨措施，而清貨之售價大都導致出現虧損毛額，累及本集團。市場上對本集團品牌價格的觀念之相應影響，要相隔數月才得以舒緩。然而，管理層對於回復舊價所作出的努力，在接近年底時已見成效，預期此會反映於二零零五年改善中之表現。

銀行及其他借貸

於結算日，本集團的銀行及其他借貸為 85,500,000 港元，並包括有期貨款 2,000,000 美元（15,600,000 港元）及零息票可換股債券 9,000,000 美元（69,900,000 港元）。本集團的資本負債比率（按借貸總額除以總資產淨值）為 50.1%。

Current ratio

As at the balance sheet date, the current ratio stood at 1.59.

State of order book

As of the date of this report, the order book is in line with management forecasts and expectations.

Material acquisitions and disposals

Zero coupon convertible bonds

In February 2004, the Company announced that it had issued certain redeemable convertible bonds (the "**Bonds**") for a principal amount of US\$15 million (equivalent to HK\$116 million) to certain independent third parties (the "**Bondholders**"). The Bonds are unsecured and convertible into ordinary shares of the Company with a par value of HK\$0.10 each at a conversion price of HK\$2.70 per share at any time on or after 15 June 2004 and up to 19 January 2009. The Bondholders have the option to require the Company to redeem all or part of the convertible bonds on 2 May 2004 at 100% or on 2 February 2006 at 109.5% or on 2 February 2007 at 116.9% of the principal amount.

In April 2004, the Company received one redemption notice to require the Company to redeem Bonds with a face value of US\$6 million. These Bonds were redeemed by the Company in May 2004.

流動比率

於結算日，流動比率為1.59。

訂單狀況

於本報告日期，本集團的訂單狀況與管理層預期的吻合。

重大收購及出售事項

零息票可換股債券

於二零零四年二月，本公司宣佈已向若干名獨立第三方（「**債券持有人**」）發行若干本金額為15,000,000美元（相當於116,000,000港元）之可贖回可換股債券（「**債券**」）。該等債券為無抵押，可自二零零四年六月十五日或之後起至二零零九年一月十九日止隨時按換股價每股2.70港元，兌換成本公司每股面值0.10港元之普通股。債券持有人有權要求本公司於二零零四年五月二日以本金額之100%或二零零六年二月二日以本金額之109.5%或於二零零七年二月二日以本金額之116.9%贖回全部或部分可換股債券。

於二零零四年四月，本公司接獲一份贖回通知，要求本公司贖回面值6,000,000美元的債券。本公司已於二零零四年五月贖回該等債券。

Executive Director's Statement 執行董事報告

Subsequently, according to the Company's management, it was revealed that subscription proceeds of only US\$10 million had been banked by the Company. Mr. Michael Tsai ("Mr. Tsai") previously represented to the Company that he was the subscriber for the remaining US\$5 million Bonds (the "Relevant Bonds"). To-date no funds in respect of Mr. Tsai's subscription for the Relevant Bonds have been banked by the Company. Based on discussions between the manager of the Bond issue and the Company's representatives, the Board believes that a cheque dated 2 February 2004 for HK\$38,218,000 issued in favor of the Company by Ms. Lee Pei Fen was tendered by Mr. Michael Tsai in consideration of his subscription for the Relevant Bonds. The cheque has not been banked and is unable to be located. The Board understands that Ms. Lee Pei Fen is the wife of Mr. Yang Chien Chi, Allen, who, at the time of the issue of the Bonds, was the Chairman of the Company. Mr. Michael Tsai is a director of a number of subsidiaries of Forefront International Limited (in liquidation) which, at the time of the issue of the Bonds, was a controlling shareholder (as defined in the Listing Rules) of the Company.

The Company has proposed to repurchase the Relevant Bonds from Mr. Michael Tsai and to then have the Relevant Bonds cancelled in accordance with their terms. Pending resolution of this matter the Company has reserved all its rights in relation to the issue of the Bond.

Disposal of 51% equity interest in Forefront Automobile Industry Limited ("FAIL")

During the year ended 31 December 2004, the Group disposed of 51% of its 100% equity interest in FAIL to Neo China Group Limited ("Neo China") for consideration of HK\$39,214,000. Completion of the transaction occurred on 28 May 2004. Reference is made to various announcements, and in particular the Circular issued by the Company dated 5 July 2004 (the "Circular") disclosing details of this transaction.

其後，根據本公司管理層表示，本公司存入銀行之認購所得款項僅有10,000,000美元。蔡政敏先生（「蔡先生」）以前向本公司聲明，彼為尚餘5,000,000美元債券（「有關債券」）的認購人。截至目前為止，本公司概無於銀行存有蔡先生認購有關債券之資金。根據債券發行之經辦人與本公司代表進行之討論，董事會相信，蔡政敏先生已交出由李佩芬女士開出以本公司為抬頭人日期為二零零四年二月二日之38,218,000港元支票，作為其認購有關債券的代價。該支票並無存入銀行，亦未知其去向。董事會瞭解到，李佩芬女士為楊健志先生的妻子，於發行債券當時，楊健志先生乃本公司的主席。蔡政敏先生為福方股份有限公司（清盤中）多間附屬公司的董事，於發行債券當時，福方股份有限公司乃本公司的控股股東（定義見上市規則）。

本公司已建議向蔡政敏先生購回有關債券，並隨後根據有關債券條款註銷該等債券。在解決此事前，本公司保留有關債券發行的一切權利。

出售福方汽車工業股份有限公司（「福方汽車工業」）51%股權

截至二零零四年十二月三十一日止年度，本集團已將其於福方汽車工業擁有的100%股權中的51%出售予Neo China Group Limited（「Neo China」），代價為39,214,000港元，該項交易已於二零零四年五月二十八日完成。謹此提述多份公佈，特別是本公司於二零零四年七月五日刊發以披露該項交易詳情的通函（「通函」）內。

At the time of the disposal the then Board was advised that Neo China was incorporated in the British Virgin Islands with limited liability and that it was wholly and beneficially owned by Mr. Chiang Chao-Nan. The Board now understands that Mr. Chiang Chao-Nan is the nephew of Mr. Yang Kwn San and that Mr. Yang Kwn San is the father of Mr. Allen Yang who was Chairman of the Company and is a director of a number of subsidiaries of Forefront International Limited (in liquidation) which, at the time of the disposal, was a controlling shareholder (as defined in the Listing Rules) of the Company.

In the Circular, the then Board of Directors of the Company disclosed that the consideration for the disposal was derived with reference to the audited net asset value of FAIL as at 31 December 2003, and that applying this basis, a gain of approximately HK\$3,930,000 was likely, subject to audit.

The Board of Directors of the Company is currently undertaking a detailed investigation into the disposal disclosed herein, as well as the trading arrangements now in place between FAIL and the Group, and is examining all avenues available to protect the interests of the Group.

Employment, training and remuneration policy

The total number of staff employed by the Group in Hong Kong, Macau and Mainland China as at 31 December 2004 was 116.

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's remuneration policy is reviewed and approved by executive management. Discretionary bonus is linked to the profit performance of the Group as well as individual performance. Benefits include medical schemes and a Mandatory Provident Fund scheme. 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 scheme.

Charge on group assets

As at 31 December 2004, the Group's borrowings and banking facilities (excluding Taiwan) were not secured.

於進行該出售事項時，本公司當時的董事會知悉，Neo China為於英屬處女群島註冊成立的有限公司，並由江照楠先生全資及實益擁有。董事會目前瞭解到，江照楠先生乃楊崑山先生的外甥，而楊崑山先生則為楊健志先生（曾任本公司主席，現為福方股份有限公司（清盤中）多間附屬公司的董事）的父親，於進行該出售事項時，福方股份有限公司乃本公司的控股股東（定義見上市規則）。

於通函內，本公司當時的董事會披露，該出售事項的代價乃參考福方汽車工業於二零零三年十二月三十一日的經審核資產淨值而計算，根據該基準，該出售事項可能產生收益約3,930,000港元，惟尚待審核確定。

本公司董事會現正對本報告披露的出售事項以及福方汽車工業與本集團訂立的交易安排進行詳細調查，並正檢討保障本集團利益的所有途徑。

僱傭、培訓及酬金政策

於二零零四年十二月三十一日，本集團在香港、澳門及中國內地共有116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。

執行管理層負責審閱和批准本集團的酬金政策，酌情花紅與本集團的盈利表現和個別人士的表现掛鉤。福利包括醫療計劃及強制性公積金計劃。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。直至本報告發出當日，本集團概無根據此計劃授出任何購股權。

對集團資產的抵押

於二零零四年十二月三十一日，本集團（台灣除外）的借貸及銀行備用額均無抵押。

Executive Director's Statement

執行董事報告

Future plans for material investments or capital expenditure

The Group is conducting feasibility studies for relocating the main Hong Kong-based service and repair centre to Shenzhen, thereby reducing the scale of the existing service operations in Hong Kong. Assuming that negotiations with Scania relating to new distribution agreements are successful, the Group has plans for significant investment in relation to the restructuring and re-establishment of its Taiwan business and expansion in mainland China.

Exposure to fluctuations in exchange rates

The Group is subject to foreign currency exposure by virtue of its purchases being mainly denominated in US Dollars and Euro while the income it derives from the sale of vehicle and provision of after sale services is mainly denominated in Hong Kong Dollars and US Dollars. The Group closely monitors its foreign currency exposure and hedges such exposure through the use of short-term forward foreign exchange contracts time to time.

OUTLOOK

The immediate focus of your Board is to restore full control over the Group's Taiwanese subsidiaries. The actions taken by certain former directors in Taiwan are illegal, and are currently preventing the Group from exercising its legitimate and exclusive right to conduct the Scania business in Taiwan. This situation is causing considerable confusion in the Taiwanese market and is being addressed as a matter of the utmost priority.

The Board has taken a number of steps to restore control of the Taiwanese operations, including instigating multiple legal actions against those responsible. Apart from these steps, and more importantly, the Board has developed a detailed and comprehensive strategy to address the issues in Taiwan and return operations there to stability, for the benefit of the Group and its shareholders. The Board will commence execution of this strategy imminently, and anticipates successful completion during the third quarter of 2005.

未來重大投資或資本開支的計劃

本集團正就將香港之主要服務及維修中心遷往深圳進行可行性研究，務求透過遷址以削減現有香港服務經營業務的規模。假設與Scania就有關新分銷協議進行之磋商取得成功，本集團計劃在重組及重新建立其台灣業務以及於中國內地進行擴展方面作出重大投資。

匯率波動的風險

鑑於本集團的採購主要以美元及歐元定值，而銷售車輛及提供售後服務產生的收入則主要以港元及美元定值，故本集團須承受外匯風險。本集團密切監察其外匯風險，並不時以短期的外匯遠期合約對沖有關風險。

展望

董事會之首要工作重點是取回本集團台灣附屬公司之全面控制權。台灣若干前董事作出的行動並不合法，阻礙本集團行使其合法及獨家權利經營台灣Scania業務，導致台灣市場大受困惑，因此屬首要處理事項。

董事會已採取多個步驟以取回台灣業務營運的控制權，包括向須負責任者提出多項法律行動。除上述行動外，更重要的是，董事會已制定詳細和全面的策略以解決台灣的問題並使當地的業務營運回復穩定，以保障本集團及其股東的利益。董事會快將施行此策略，並預期可於二零零五年第三季完成。

In Hong Kong, the Board expects 2005 to see improvements in performance over recent years. Recent performance has been negatively impacted by SARS (in 2003), and by various legacy issues left over by previous management which had a detrimental impact on the Group's brand and financial position. Ultimately, the Board expects Hong Kong to be a profitable stand-alone business, particularly given the opportunities arising from the Closer Economic Partnership Agreement with mainland China, and the increasingly liberalized travel arrangements for mainland tourists visiting Hong Kong.

Similarly for the Group's mainland China operations, the year ahead will see a renewed focus on building a profitable, sustainable business based around its existing Shenzhen and Zhuhai local dealerships. Additionally, as alluded to above, it is the Board's intention to relocate the Group's principal service and repair operations from its current site in Yuen Long, Hong Kong to Shenzhen, taking advantage of the lower cost structure and of the significant cross-border traffic flow between Hong Kong and Shenzhen. This process is still in the planning stage, and is seen by the Board as a significant step in restoring profitability to the Hong Kong and mainland China operations, and as a key element of the Group's future plans for its mainland operations (and possible expansion).

DIVIDEND

The directors do not recommend the payment of final dividend in respect of the year ended 31 December 2004 (2003: Nil).

APPRECIATION

Finally, I would like to express my sincere gratitude to all our staff for their loyalty and dedication and our to customers, suppliers, bankers and shareholders for their continued support throughout what has been a challenging year.

Kelvin Edward Flynn

Executive Director

Hong Kong, 25 April 2005

香港方面，董事會預料二零零五年的業績會較近年有改善。近年的業績受到沙士（於二零零三年爆發）及舊管理層遺留之種種問題的不利影響，後者更對本集團品牌及財政狀況造成損害。董事會預期香港是有利可圖的個別業務，特別是由於與中國內地訂立更緊密經貿關係安排而產生之契機及內地旅客訪港的旅遊安排日益放寬所致。

同樣地，本集團在中國內地的業務營運來年將以其現有之深圳及珠海本地經銷商為基礎，再次集中於建立有利可圖、可持續發展的業務。此外，誠如上文所述，董事會計劃將本集團之主要服務及維修業務營運，由位於香港元朗的現址遷往深圳，以善用較低成本架構及香港和深圳之間的頻繁跨境交通流量。此過程仍處於規劃階段，董事會認為此乃恢復香港和中國內地業務營運之盈利能力的重要一步，亦是本集團在中國內地進行業務營運（及可能進行業務擴充）的未來計劃之主要元素。

股息

董事並不建議派付截至二零零四年十二月三十一日止年度的末期股息（二零零三年：無）。

鳴謝

最後，本人謹對在過去挑戰重重的一年裏全體忠誠努力的員工，以及一直鼎力支持的客戶、供應商、往來銀行及股東，致以由衷謝意。

執行董事

Kelvin Edward Flynn

香港，二零零五年四月二十五日