

Executive Director's Statement

執行董事報告

BUSINESS REVIEW

Introduction

The Group is now one and a half year into the turnaround plan, which is probably the half way point. In broad summary, the group is now stabilised and has a future. The Board's attention was turned to growth and development and forming a strategic plan to provide shareholder returns and investment liquidity. The year under review has seen a resolution of all of the major legacy issues which had affected the Group since mid-2004. Whilst the loss of the Taiwan license was a major disappointment, the fact that there is now some certainty around the remaining licenses, the shareholder base and the Group's liquidity position provides a solid platform for the business going forward.

Unfortunately, despite significant efforts by management, the Board and Scania over a period of almost a year, the Group was not able to restore control over the Group's Taiwan operations. At the same time, the former controlling shareholders (the Yangs family) and management team established a new venture with Renault, in direct competition with the Scania business. These events culminated in the decision by Scania to take back control of its brand in Taiwan, which came as a major blow to the management team and the Board. Shareholders will be aware that the Taiwan market comprised a significant element of the Group's operations – 70% of the Group's consolidated revenues in 2003 derived from Taiwan. Nevertheless, the agreement reached with Scania to issue new licenses with respect to the Group's remaining territories (Hong Kong, Macau, Shenzhen and Zhuhai) has brought certainty to the Group's immediate future and provides a platform from which to grow and develop a profitable Southern-China business.

業務回顧

序言

本集團的重整計劃已邁進一年半的時間，現正處於中段階段時刻。整體而言，集團已穩定，及充滿前景。董事會注意力已轉移至發展及增長，並建立策略性計劃以為股東提供回報而獲取投資流動資金。回顧本年度本集團已經解決所有由二零零四年中開始一直影響本集團之重大遺留事項。失去台灣代理權確實令人失望，然而，剩餘之代理權現況開始明朗，股東基礎及本集團之資金流動性狀況均為持續經營業務提供穩固之平台。

可惜，儘管管理層、董事會及Scania近一年來作出重大的努力，本集團仍未能恢復對本集團台灣業務之控制權。同時，前控股股東（楊氏家族）及管理隊伍已經與雷諾汽車成立新合營公司，直接與Scania業務構成競爭。此等事件令Scania取回其於台灣品牌之控制權，對管理隊伍及董事會造成重大打擊。股東應該瞭解，台灣市場構成集團經營之相當部分，本集團二零零三年度七成的綜合收益來自台灣。然而，與Scania簽署本集團剩餘領域（香港、澳門、深圳及珠海）之代理權協議，其舉將確保本集團於未來短期內的前景，亦為其提供一個有利的平台以便發展及開發有盈利之南中國業務提供平台。

In respect of the operations in Hong Kong, the Group disposed of its head office and main service centre premises at Yuen Long at a profit in December 2005. The disposal was part of the Group's turnaround plans to move to a more strategic location in late 2006. The sale proceeds were used partly to repay Wise Dynasty Limited ("**Wise Dynasty**"), bank borrowings and to redeem US\$4 million outstanding convertible bonds in February 2006. The Wise Dynasty case is a legacy issue associated with Allen Yang, the former chairman of the Group, who was alleged to have forged the Company's cheque and mortgaged the Company's head office premises at Yuen Long, all of which were without proper authorisation from the Board. The dispute between the Group and Wise Dynasty is now fully resolved. The Board had reported this case to the Commercial Crime Bureau of the Hong Kong Police ("**CCB**") and the CCB is presently investigating the case and Allen Yang.

A further legacy issue has also been resolved recently. Allen Yang arranged for Mr. Michael Tsai ("**Mr. Tsai**") to subscribe for a US\$5 million portion of the Company's US\$15 million convertible bond issue in early 2004. Mr. Tsai presented a cheque to the Company for the above subscription, however, the cheque was not banked by the Company's former management. The Board subsequently learned that the issuer of the cheque was the wife of Allen Yang and the cheque has disappeared. In February 2006, the Company managed to settle the US\$5 million outstanding convertible bonds with Mr. Tsai whereby both parties agreed for the Company to purchase the relevant bonds for US\$NIL and the relevant bonds be cancelled in accordance with their terms. Accordingly, the Company has successfully redeemed and cancelled all its outstanding US\$15 million Bonds.

Shareholders will be aware that the shareholder base of the Company has gone through a process of consolidation during the year under review. Certain financial institutions had become major shareholders, whilst the original controlling family shareholders ("**the Family**") lost their controlling stake in the Company. During the year, Scania, the principal supplier of the Group, increased its shareholding from 4.76% to 22.54%, and became the single largest shareholder of the Company. This has brought considerable stability to the shareholder base, and resulted in the appointment of a senior, Scania-nominated director to the Board.

就於香港之經營業務，本集團於二零零五年十二月出售其位於元朗之總辦事處及主要服務中心物業，錄得溢利。出售該物業乃本集團重整計劃之一以便遷往更優越的位置。出售所得款項已部分用於償還Wise Dynasty Limited ("**Wise Dynasty**")及銀行借貸，及於二零零六年二月贖回4,000,000美元之尚未行使之可換股債券。Wise Dynasty個案乃與楊健志（本集團前主席）有關之遺留事項，彼被指稱在未經董事會授權下偽造本公司支票及將本公司位於元朗之總辦事處物業作出押記。本集團與Wise Dynasty間之爭議已獲得完滿解決。董事會已向香港警察商業罪案調查科（「**商業罪案調查科**」）報告上述案件，商業罪案調查科正調查該案件及楊健志。

另一遺留事項亦於近日獲得解決。楊健志於二零零四年初安排蔡政敏先生（「**蔡先生**」）認購本公司15,000,000美元可換股債券中5,000,000美元部分。蔡先生已交出支票，作為認購有關債券之代價，本公司前管理層並無將該支票存入銀行。其後，董事會得悉到開出支票之人士為楊健志的妻子，並未知該支票之去向。於二零零六年二月，本公司與蔡先生達成協議解決該筆5,000,000美元尚未行使之可換股債券，據此，雙方同意本公司以零美元購買有關債券，並於當時按照條款註銷有關債券。故此，本公司成功贖回及註銷其所有15,000,000美元尚未行使之債券。

股東將會知悉，於回顧年度期間，本公司之股東架構歷經合併過程。若干金融機構成為主要股東，原為控股之家族股東（「**該家族**」）失去其於本公司之控股股權。於年內，本公司之主要供應商Scania之持股量由4.76%增加至22.54%，成為本公司單一最大股東。因此，股東架構穩定並獲得Scania委任一位高級董事加入董事會。

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In view of past mismanagement by the former management, both the Board and the current management team appreciate the importance of good corporate governance and internal control management. Many new internal control policies and corporate governance practices have been implemented throughout the Group for better segregation of duties and authority processes. In addition, regular management meetings and reporting are also being conducted and adhered to, with a view to enhanced communication and control.

A new remuneration committee has been established to assist the Board to develop and administer a fair and transparent procedure for setting policy on the remuneration of directors and senior management of the Group and for determining their remuneration packages. Furthermore, the Company has recently passed a resolution in the extraordinary meeting of shareholders in March 2006 in compliance with the requirement of the Listing Rules for directors to retire by rotation once every three years.

Sales of motor vehicles

During the year under review, the total number of units of vehicles sold and total turnover was lower by approximately 51% and 17% respectively as compared to 2004. The former management focused on sale volume and sacrificed profit margin. The current new management changed its pricing strategy in 2005 with an emphasis on profitability. The gross profit has improved from HK\$13.8 million (8%) in 2004 to HK\$20.0 million (15%) in 2005. The management expects the increase in profitability level to continue.

Provision of motor repair and maintenance services

Repair and maintenance services decreased by 35%, which was mainly due to the former management's decision to consolidate all service and parts sales centers from three to one site. The management believes with the opening of a secondary service center at Lo Ma Chau and the addition of a mobile van, the Group will be able to recoup some of the lost market share.

由於前管理層過去之不當管理，董事會及現屆管理隊伍重視優良好的企業管治及內部監控管理。為更佳地分配職責及權力，本集團整體採用了多項內部監控政策及企業管理常規。此外，管理層亦有進行及遵守定期之會議及匯報，以提高溝通及監控。

新的薪酬委員會已經成立，以協助董事會就制定董事及高級管理人員之薪酬政策及釐定其薪酬組合發展及管理程序更公正及具透明度。此外，本公司最近於二零零六年三月之股東特別大會中通過議決案，遵守上市則規規定董事須每三年輪席退任之規定。

汽車銷售

於回顧年度，已出售之汽車總數及營業額比較二零零四年分別下降約51%及17%。前管理層注重銷量而犧牲邊際利潤。於二零零五年，現屆新管理層改變其定價策略，更注重盈利能力。毛利由二零零四年之13,800,000港元(8%)改善至二零零五年之20,000,000港元(15%)。管理層預期盈利能力將繼續上升。

提供汽車修理及維修服務

修理及維修服務下降35%，主要原因為前管理層決定將所有服務及零件銷售中心由三個合併為一個。管理層相信隨著位於落馬州之第二個服務中心開啟及添置一輛流動貨車，本集團將可以重奪部份失去之市場佔有率。

Provision of other motor-related services

Provision of other motor-related services mainly relates to the fuel commission income under the name of U-Drive. The competition in this market has become increasingly intensive this past year. International crude oil prices continue to increase with the cost of fuel following. Management believes there will be declining demand in this business. The revenue for this business stream has declined by about 20% during the year.

OUTLOOK AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Board expects steady growth for the first half of 2006 and increasing business activities and growth in the second half of 2006 as a result of several new business developments currently undertaken by the management team.

In respect of the existing operations, the management has already identified several locations near the border to Shenzhen in order to relocate the existing head office and repair and maintenance service facilities to strategic locations. In March 2006, the Group signed a new lease at Lok Ma Chau to increase service network as well as to cater to the increasing demands near the Shenzhen border. In addition, the Group will add a mobile service van around mid 2006 to service customers operating at ports in Hong Kong.

In view of the robust economy in Mainland China and increasing demand for container truck and coach services across the border, the management has been in discussions with several potential parties to set up service centres in Shenzhen and Zhuhai from 2006 onwards. The Board believes the increase in service network coverage will improve the Group's services to its customers both in Hong Kong and across the border and ultimately enhance the profitability of the Group.

I am very pleased to announce that the Group has recently obtained the People's Republic of China ("PRC") government approval to establish a company in Shenzhen under the Closer Economic Partnership Agreement (CEPA). This new company is authorised to import and sell Scania heavy vehicles, coaches and related parts in Shenzhen.

提供其他汽車相關服務

提供其他汽車相關服務主要包括U-Drive名下之汽油燃料佣金收入。去年市場競爭日趨劇烈，國際油價持續上升令燃油價格上升，管理層相信此項業務之需求將減低。此項業務之收入已於年內減少約20%。

重大投資或資本資產之展望及未來計劃

由於管理層現正採取多項新的業務發展計劃，董事會預期二零零六年上半年將會有穩定之增長，而二零零六年下半年則會有更多業務活動增長。

就現有之經營業務，管理層已經物色出多個靠近深圳邊境之地點，以遷移現時之總辦事處及維修服務設施往策略性地點。於二零零六年三月，本集團簽立一份有關位於落馬洲土地之新租約，以擴展服務網絡及滿足靠近深圳邊境更多之服務需求。此外，本集團將於二零零六年年中添置一輛流動服務維修車，以服務於香港多個口岸經營之顧客。

另外，有鑑於中國內地蓬勃發展之經濟及過境貨櫃車及旅遊巴士之服務需求增加，管理層正與多個有興趣人士討論於二零零六年以後在深圳及珠海設立服務中心。董事會相信，增加服務網絡之覆蓋範圍可改善本集團為香港及跨境顧客提供之服務，最終將提升本集團之盈利能力。

本人欣然宣佈，跟據《內地與香港關於建立更緊密經貿關係的安排》（經貿安排），本集團最近獲得中華人民共和國（「中國」）政府批准於深圳開設公司。該新公司獲授權於深圳進口及銷售Scania之重型車輛、旅遊巴士及有關零件。

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On 29 March 2006, the Group signed a Letter of Intent with Xiamen Golden Dragon Van Co. Ltd ("**Golden Dragon**") for a cooperation agreement to build buses and coaches with Scania chassis. Golden Dragon is the second largest bus manufacturer in China with a turnover of USD400 million in 2003. Under the proposed plan, the Group will serve as an export agent for Golden Dragon for markets of Hong Kong, Macau, Shenzhen, Zhuhai and Southeast Asia. The Board believes the cooperation between Golden Dragon and the Group will benefit both parties both economically and strategically.

On the strategic end, the Board's immediate focus is on the resumption of trading of shares on the Hong Kong Stock Exchange. The Board and the management team are working diligently with its legal and financial advisers to prepare a proposal for the resumption of trading in the shares. The Board believes resumption of trading in the shares is in the best interests of the shareholders. Beyond that, the board is focused on working with its advisers on a strategic business plan to drive future shareholder value.

RESULTS AND APPROPRIATIONS

Details of the Group's results for the year ended 31 December 2005 are set out in the consolidated income statement on this annual report.

The Board does not recommend the payment of a final dividend in respect of the year ended 31 December 2005 (2004: nil).

APPRECIATION

Finally, I would like to express my sincere gratitude to all our staff for their loyalty and dedication and our customers, suppliers, bankers and shareholders for their continued support.

Kelvin Edward Flynn

Executive Director

21 April 2006

於二零零六年三月二十九日，本集團與廈門金龍旅行車有限公司（「**金龍**」）簽立一份意向書，該意向書乃關於打造Scania巴士及旅遊巴士底盤的車身之合作協議。金龍乃中國第二大巴士生產商，二零零三年營業額達到400,000,000美元。根據建議計劃，本集團會成為金龍之出口商，負責香港、澳門、深圳、珠海及東南亞市場。董事會相信，本集團與金龍之合作可於經濟上及策略上同時為雙方帶來益處。

就策略上，董事會之首要重點為使股份可於香港聯交所恢復買賣。董事會及管理層正努力地與法律及財務顧問合作，編制恢復股份買賣之建議書。董事相信恢復股份買賣為股東之最佳利益。另外，董事會亦致力與其顧問合作制定策略業務計劃，以增加未來股東價值。

業績及分派

本集團截至二零零五年十二月三十一日止年度之業績詳情載於本年報之綜合損益表。

董事會並不建議派付截至二零零五年十二月三十一日止年度之末期股息（二零零四年：無）。

鳴謝

最後，本人謹對在過去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，二零零六年四月二十一日