

STATEMENT OF BUSINESS OBJECTIVES

BUSINESS OBJECTIVES

It is the mission of the Group to become a leading authorised distributor of luxury passenger vehicles and a leading promoter of the Hertz car rental services in the PRC. To achieve this mission, the Group will focus on maintaining and developing the passenger vehicles distribution agent network by ensuring reliable supply of passenger vehicles as well as providing quality value-added pre-sale and after-sales services, and adding on that, promoting the car rental service of its sub-licensees operated under the Hertz System through CNA Anhua (Tianjin).

According to the US Department of State and US Foreign Commercial Service, the number of cars in the PRC is expected to reach approximately 15 million by 2010. Annual demand of cars, currently at 700,000, is expected to reach 1.2 to 1.6 million in a few years, representing a growth rate of approximately 71%. BMW China stated that the BMW passenger vehicles sold by it in 2000 in the PRC has increased by approximately 100% comparing to that in 1999 and BMW was the best-selling luxury brand with a market share of approximately 24% in 2000. In order to capture such market potential and achieve its overall business objective, the Group intends to focus on the following areas:

- expanding its agent distribution network in the PRC for BMW, Honda and Land Rover passenger vehicles;
- acquiring additional distributorships from foreign motor vehicle manufacturers for which its motor vehicles are in line with the Group's targeted market segments;
- expanding geographical coverage and market share in respect of its distribution of BMW, Honda and Land Rover passenger vehicles through sales partners by establishing showrooms, support centres and service centres in Fuzhou and the central region of the PRC;
- providing management consultancy, financial assistance and technical services to the car rental operators appointed by the Group; and
- establishing joint venture(s) to operate service centre and provide after-sale services in compliance with the regulatory requirement of the PRC law.

BASES AND ASSUMPTIONS

The Group operates in an industry where technology, trends and consumer preferences change rapidly. There can be no assurance that any of the Directors' view of the market potential of the Group and its various products and services will remain unchanged or be realised. In particular, the types of products and services provided by the Group (and their respective contributions to the Group's revenues) may change in the future due to changes in market demands for different motor vehicle products and services. Furthermore, there can be no assurance that any of the general or specific business objectives set out in this section will be attained, realised or remain unchanged over the periods referred to.

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The Directors have assessed the potential of the market as identified in the Group's statement of active business pursuits during the Forward Looking Period and formulated strategies to achieve the Group's business objectives on the basis of past industry trend, as well as anticipated future growth and expected demand based on the Directors' past experience. The Directors have made the following principal assumptions in making such assessment and formulation:

1. The Group is not affected by any of the risk factors set out under the section headed "Risk Factors".
2. The business objectives for any of the specified periods have been stated on the basis that they may have to be revised or adjusted by the Group from time to time in the light of factors such as changes in market conditions, market response to particular products and whether the Group has successfully achieved its stated business objectives in the preceding period or periods. It has also been assumed that the Group does not experience any significant delay in achieving its stated business objectives in any of the specified periods.
3. The Group does not encounter any significant difficulty in the research and development of any of its new products.
4. The Group is not materially adversely affected by any change in political, legal, fiscal or economic conditions in the PRC and the US.
5. The Group is not materially adversely affected by any change in legislation, rules or regulations in the PRC, the Cayman Islands, Singapore and Hong Kong where the Group is established.
6. The businesses to be carried out by the Group in the PRC is not prohibited or restricted under the PRC laws or any other relevant laws or regulations. Should the Group's businesses in the PRC be prohibited or restricted in any respect, the Group may not be able to carry out the business objectives as herein stated.

IMPLEMENTATION PLANS AND STRATEGIES

The Group's business implementation and business plans during the Forward Looking Period from the Latest Practicable Date to 30th June, 2002, and each of the six month period ending 31st December, 2004 are set out below. The Group intends to follow the implementation schedule below in achieving its business objectives based on the current state of the motor vehicle industry. However, the Directors believe that as the motor vehicle industry is a fast changing industry in the PRC and the economic development in the PRC is difficult to predict, the implementation schedule reflects only the Directors' present intention in executing the Group's business objectives. The Directors intend to use their best endeavours to anticipate future changes in the motor vehicle industry and to take appropriate steps to remain flexible and versatile to enable the Group to stay ahead of or to promptly react to such changes.

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STRATEGIES

Expansion of motor vehicle distribution network in the PRC

Attaining of additional authorised distributorship and regions

The Group intends to negotiate with foreign motor vehicle manufacturers which the Group is presently an authorised distributor thereof for the right of distribution and operation of authorised service centers in more regions in the PRC. The Directors believe that the passenger vehicle market in the PRC will continue to grow tremendously, especially after the PRC's accession into the WTO. Given the rapid growth in the sales of BMW motor vehicles in the PRC in mid 2000, the Group has been negotiating with BMW AG for the distribution right of the BMW motor vehicles in a central region of the PRC.

The Directors are of the view that, based on the development of motor vehicle distribution market in other developed countries, the mid-market and luxury motor vehicle market in the PRC will differentiate into smaller segments such as deluxe sedans, roadster, 4-wheel-drive vehicle, etc. Accordingly, the Group intends to obtain distributorships from other foreign motor vehicle manufacturers whose products and services are complement with the Group's existing targeted market segments for the PRC market in order to satisfy the evolving needs and choices of the Group's targeted customers.

Appointment of additional agents

With the expansion of the distribution network of North Anhua, the Group aims at enhancing its distribution connection. The Group will seek for more connections with Hong Kong and PRC resellers. On the other hand, the Group contemplates to appoint agents in Xiamen Municipality, Fuzhou Municipality and a central region of PRC, etc. The agents possess network in the specific regions and help distributing products effectively. Appointing agents for expanding distribution is considered one of the cost effective way to increase the distribution channel.

Strengthening after-sales service

Establishment of additional authorised service centers

The Group intends to establish additional service centres in Fuzhou Municipality and other cities in the PRC by establishing joint venture in order to complement its motor vehicle distribution business. The Group also intends to constantly upgrade the engineering and computer system in order to provide repairs and maintenance for the newly high-end design of passenger cars.

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Provision of comprehensive support services

The Group intends to launch a national comprehensive service package to end-customers in the Xiamen Special Economic Zone where the Group operates an authorised service centre including 24-hour emergency breakdown assistance and a bonus reward program, a service and maintenance package and insurance claim assistance.

MANAGEMENT OF CAR RENTAL BUSINESS

In order to rapidly capture the tremendous potential of the PRC car rental market and secure a foothold in the PRC, the Group was appointed by Hertz as its principal licensee and has the right to use and to sub-license the Hertz System to the licensed car rental operators in Beijing Municipality, Shanghai Municipality, Guangdong Province, Tianjin Municipality and the Xiamen Special Economic Zone. So far, the Group has appointed sub-licensees in selected markets including Beijing Municipality, Shanghai Municipality and Guangzhou Municipality and will provide management, consulting and technical expertise including strategic planning, staff training and supervision of the operation as well as financial assistance to the sub-licensees. In respect of the rest of the region, the Group will further appoint sub-licensees for operation of car rental business in the regions. The Directors believe that such strategies will enable the Group to fully capture the market potential of car rental business in the PRC and will allow the Group through sub-licensing establish a national network for its car rental business.

The Directors believe that the Group's alliance with Hertz will enhance the public reputation and generate business opportunities from Hertz's extensive global business connections with foreign investors and tourists in the PRC. The Directors also believe that the synergy created from the expertise of Hertz in the worldwide car rental business and the Group's proven knowledge about the PRC automobile market will enable the Group to capitalise the potential of the car rental market in the PRC, especially after PRC's accession to the WTO.

SALES AND MARKETING

The Group intends to continue to organise effective marketing functions on a regular basis to maintain close working relationship with its existing distribution agents and attract potential agents/customers. The Group also intends to take part in large-scale exhibitions, road shows and test-drive activity to promote its corporate image and motor vehicles distributed by the Group.

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Period	For the period from the Latest Practicable Date to 30th June, 2002	For the six months ending 31st December, 2002	For the six months ending 30th June, 2003	For the six months ending 31st December, 2003	For the six months ending 30th June, 2004	For the six months ending 31st December, 2004
Expansion of Distribution Network	<p><i>BMW</i></p> <ul style="list-style-type: none"> To negotiate with BMW China for the authorised distributorship in a central region of the PRC <p><i>Other brand representations</i></p> <ul style="list-style-type: none"> To appoint its licensed PRC resellers as distribution agents in Fuzhou Municipality, Xiamen Special Economic Zone and other cities of the PRC to increase the coverage of the distribution network and improve distribution efficiency 	<p><i>Other brand representations</i></p> <ul style="list-style-type: none"> To initiate negotiations with foreign motor vehicle manufacturer(s) for authorised distributorship in the PRC To finalise negotiations with BMW China for the authorised distributorship in a central region of the PRC To enter into a development co-operation agreement for establishing service centre in the central region of the PRC 	<p><i>BMW</i></p> <ul style="list-style-type: none"> To establish a service centre and distribution offices for distributing the Group's product in Fuzhou Municipality, in Fujian Province through joint venture(s) To acquire machinery, equipment and renovate for the service centre in Fuzhou Municipality and renovation 	<p><i>BMW</i></p> <ul style="list-style-type: none"> To establish distribution offices for distribution of the Group's products in the central region of the PRC through joint venture(s) <p><i>Other brand representations</i></p> <ul style="list-style-type: none"> To finalise negotiations with foreign motor vehicle manufacturer(s) for authorised distributorship in the PRC To initiate negotiations with other foreign motor vehicle manufacturer(s) for authorised distributorship in the PRC 	<p><i>BMW</i></p> <ul style="list-style-type: none"> To appoint licensed PRC resellers distribution agents in the central region of the PRC to further strengthen the Group's distribution network 	<p><i>Other brand representations</i></p> <ul style="list-style-type: none"> To finalise negotiations with foreign motor vehicle manufacturer(s) for authorised distributorship in the PRC
(HK\$ million)						
Use of Proceeds	0	6	5	2	0	0

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Period	For the period from the Latest Practicable Date to 30th June, 2002	For the six months ending 31st December, 2002	For the six months ending 30th June, 2003	For the six months ending 31st December, 2003	For the six months ending 30th June, 2004	For the six months ending 31st December, 2004
Enhancement of after-sales service		<ul style="list-style-type: none"> To upgrade continually the computer systems and engineering equipment of the Group's workshops and service centres 	<ul style="list-style-type: none"> To relocate and renovate the existing service centres and workshops in Xiamen into a 3-in-1 complex building which includes an office, a workshop and a service centre with advanced computer systems and engineering equipment To establish a service centre in Fuzhou to enhance the after-sales service in the authorised region To enhance the service package in GA Privilege Club To equip the service centre with advanced computer systems and engineering equipment 	<ul style="list-style-type: none"> To renew the certificate of ISO 9002 to ascertain the quality standard 	<ul style="list-style-type: none"> To operate a service centre in the authorised region in the central part of the PRC through joint venture(s) 	<ul style="list-style-type: none"> To upgrade continually the computer systems and engineering equipment of the Group's workshops and service centres
(HK\$ million)						
Use of Proceeds	0	1	4	0	0	0

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Period	For the period from the Latest Practicable Date to 30th June, 2002	For the six months ending 31st December, 2002	For the six months ending 30th June, 2003	For the six months ending 31st December, 2003	For the six months ending 30th June, 2004	For the six months ending 31st December, 2004
Management of Car Rental Business in the PRC	<ul style="list-style-type: none"> To install the Hertz worldwide reservation system and test run of the program for the sub-licensees in Beijing Municipality, Shanghai Municipality and Guangzhou Municipality To provide management consulting to sub-licensees to operate a fleet of about 300 motor vehicles To establish service centre in Beijing Municipality to provide technical expertise to the sub-licensees To provide financial assistance to the sub-licensees of car rental business in the form of bank guarantee 	<ul style="list-style-type: none"> To commence research on applications of service packages of the Hertz System and make necessary adjustments for the PRC market To finance the sub-licensees of car rental business 	<ul style="list-style-type: none"> To launch value-added service packages To enhance the technical expertise to the sub-licensees by establishing service centre in Guangdong Province 	<ul style="list-style-type: none"> To appoint sub-licensees in area of Tianjin Municipality and the Xiamen Special Economic Zone 	<ul style="list-style-type: none"> To commence research on applications of the Global Positioning System the PRC, the system is believed to be a value-added service to the car rental operation 	<ul style="list-style-type: none"> To enhance value-added service packages
(HK\$ million)						
Use of Proceeds	3	3	0	0	0	0

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Period	For the period from the Latest Practicable Date to 30th June, 2002	For the six months ending 31st December, 2002	For the six months ending 30th June, 2003	For the six months ending 31st December, 2003	For the six months ending 30th June, 2004	For the six months ending 31st December, 2004
Sales and Marketing	<i>Motor vehicle distribution</i> <ul style="list-style-type: none"> To recruit 2 sales and marketing professionals in the PRC 	<i>Motor vehicle distribution</i> <ul style="list-style-type: none"> To recruit 4 sales and marketing professionals in the PRC To establish close relationship with corporate clients in the PRC for generating recurring sales To hold marketing activities including golf tournament, exhibition, test drive in the PRC 	<i>Car Rental</i> <ul style="list-style-type: none"> To form alliance with travel agents and airline companies for promotion of the Group's corporate image and its car rental services 	<i>Motor vehicle distribution</i> <ul style="list-style-type: none"> To recruit 4 sales and marketing professionals for distribution of motor vehicles in the PRC To hold marketing activities including golf tournament, exhibition, test drive in the PRC 	<i>Motor vehicle distribution</i> <ul style="list-style-type: none"> To launch an advertisement campaign to introduce the service centre in the central region of the PRC and promote group's products 	<i>Motor vehicle distribution</i> <ul style="list-style-type: none"> To recruit 4 sales and marketing professionals for distribution of motor vehicles in the PRC To hold marketing activities including golf tournament, exhibition, test drive in the PRC
(HK\$ million)						
Use of Proceeds	1	0.25	0.5	0.25	0	0

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USE OF PROCEEDS

The net proceeds from the Placing, after deducting related expenses, are estimated to be about HK\$27 million. The Directors presently intend to apply such net proceeds as follows:

- approximately HK\$16 million will be used to enhance the Group's pre-sales and after-sales service, of which HK\$5 million for upgrading the existing authorised service centres of the Group, HK\$2.75 million for establishing a service centre in Fuzhou Municipality, HK\$2 million for establishing a service centre in the central region of the PRC, HK\$6 million for rental expense for the service centre in the central region of the PRC and HK\$0.25 million for acquiring machinery and equipment and renovating the service centre in Fuzhou Municipality;
- approximately HK\$2 million will be used for establishing joint venture(s) to operate the service centre and provide after-sales service in Fuzhou;
- approximately HK\$6 million will be used to provide security free financial assistance to car rental sub-licensee. The Group will deposit approximately HK\$6 million with a bank in Hong Kong as security for banking facilities granted by the correspondent branch of the bank in the PRC to finance the car rental business of certain appointed sub-licensees of the Group. Such arrangement is a non-interest bearing facilities granted throughout the sub-licensing period for 5 years;
- approximately HK\$2 million will be used for marketing and promotional activities; and
- the balance of approximately HK\$1 million will be used as additional working capital required for the anticipated increase in business volume of the Group, such as, operating lease expenses, legal & professional fees for agreements for car rental business, establishing service centre(s) and joint venture(s), freight & transportation, etc.

Schedule of Use of Proceeds

	Period I (HK\$'million) Latest Practicable Date – 30th June, 2002	Period II (HK\$'million) 1st July, 2002 – 31st December, 2002	Period III (HK\$'million) 1st January, 2003 – 30th June, 2003	Period IV (HK\$'million) 1st July, 2003 – 31st December, 2003	Period V (HK\$'million) 1st January, 2004 – 30th June, 2004	Period VI (HK\$'million) 1st July, 2004 – 31st December, 2004	Subtotal by category
Expansion of distribution network	—	6	3	2	—	—	11
Enhancement of after-sales services	—	1	4	—	—	—	5
Provision of financial assistance to Car Rental Business in the PRC	3	3	—	—	—	—	6
Sales and marketing	1	0.25	0.5	0.25	—	—	2
Establishing joint venture(s)	—	—	2	—	—	—	2
Total	<u>4</u>	<u>10.25</u>	<u>9.5</u>	<u>2.25</u>	<u>—</u>	<u>—</u>	<u>26</u>

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To the extent that the net proceeds of the Placing are not immediately applied for the above purposes, it is the present intention of the Directors that such net proceeds will be placed on short-term interest-bearing deposits with licensed banks and other financial institutions in Hong Kong and Singapore.

According to the present business objectives, the net proceeds raised will not be sufficient to finance all the objectives beyond 2003. The estimated shortfall of fund for objectives in 2004 is approximately HK\$3 million. The Group plans to finance its objectives beyond 2003 by its internal generated capital or the Group's banking facilities. In the event that there is to be any material modification to the use of proceeds as described above, the Company will issue an announcement in respect of the change.

In addition, upon the listing of the Company, Mr. Loh Kim Her, Mr. Anthony Chan and Loh & Loh will place with an escrow agent and pledge to the Company a total of 77,148,000 Shares, and Loh & Loh will place with an escrow agent and pledge to the Company its HK\$10 million proceeds from the Sale Shares as security for the indemnity provided by Mr. Anthony Chan and Mr. Loh Kim Her in relation to the development co-operation projects in Guangdong Province, Fujian Province, Beijing Municipality and Fuzhou Municipality entered into between the Group and North Anhua and/or its related companies. Such 77,148,000 Shares will be placed with the escrow agent and pledged to the Company immediately after the expiration of the Lock-up Period when the restriction on the disposal (as defined in the GEM Listing Rules to include the creation of any option, rights or interests over such securities) of such Shares, as imposed by Rule 13.16 of the GEM Listing Rules, ceases after the same period. In addition, Mr. Loh Kim Her, Mr. Anthony Chan and Loh & Loh have further undertaken to the Stock Exchange and the Company that they will not pledge or charge any of such Shares to any banking institutions during the Lock-up Period. The Sale Share proceeds will be placed in escrow as a pledge to the Company upon its listing on the terms that if the Group exercises its right under the indemnity, such amounts as correspond with the terms of the indemnity will be released to the Group. (Please refer to paragraph headed "Relationship with North Anhua" of the "Business of the Group" section of this prospectus for further details.)