Operations of the Group during the year remained under severe pressure.

The Group's turnover for the year was HK$156 million, representing a decrease of 31%. Loss per share was narrowed to HK$39.15 cents compared with HK$50.36 cents in 2000, representing an overall improvement in performance of 22%.

This was the third year of the Group's operational and financial restructuring spanning the years 1999 to 2001. Although the restructuring were in favour of the long term development of the Group taken as a whole, the short-term adverse effects immediately after the implementation of the restructuring processes were unavoidable which were subsequently reflected in the financial statements of the Group in the last three consecutive years.

Subsequent to the entering into the debt restructuring agreement ("Debt Restructuring Agreement") with the financial creditors of the Group recently and the implementation of various internal restructuring processes in the past few years, we believe that the Group is now in a position to start a new chapter.

REVIEW OF OPERATIONS

During the period under review, the Group continued to incur a loss as a result of the decrease in sales, the increase in deficits arising from the revaluation of the Group's property assets and inventories, provisions for bad and doubtful debts and the occurrence of the high operating and finance expenses.

The reasons for the decrease in sales were twofold. On the one hand, the Group's operation was adversely affected by the general economy slowdown in our major markets such as Europe and America. On the other hand, the Group lacked new funding for the investment on research and development of new products.

In spite of the sluggish conditions during the year, we remained focused on our core line of business. During the year under review, turnover breakdown by product types was largely unchanged compared to that in last year.

As a result of the new valuation basis adopted by the Group this year on the valuation of the production facilities of the Group and the impairment of the assets valuation of the Group's investment property, there were an aggregate of approximately HK$54.2 million attributable to the other operating expenses. This, together with the provisions for bad and doubtful debts of approximately HK$27.9 million and a number of non-recurring write-offs of approximately HK$9.2 million attributable to the various professional fees, loss on the disposal of its non-core assets and provisions for diminution in value of long term investment, the total expenses attributable to the other operating expenses for the year amounted to approximately HK$91.3 million.

The sum of the administrative expenses, selling and marketing expenses and the manufacturing expenses was about HK$99.3 million of which about HK$51.3 million were attributable to the administrative expenses, about HK$42.5 million were attributable to the manufacturing expenses and about HK$5.4 million were attributable to the selling and marketing expenses.

Out of the about HK$51.3 million administrative expenses, about HK$37 million were attributable to the administrative expenses for the core operation including the expenses incurred in Hong Kong headquarters, the antenna and car accessories production plants. The remaining approximately HK$14.0 million were attributable to the administrative expenses of its overseas subsidiaries.

Also, out of the approximately HK$99.3 million operating expenses, approximately HK$36.3 million expenses are non-cash items such as the approximately HK$21.5 million and approximately HK$14.8 million attributable to the depreciation and amortisation cost as manufacturing overhead and administrative expenses respectively.

The finance expenses were approximately HK$55.7 million for the year which was mainly arising from the interest burden of the debts of the Group.

DEBT RESTRUCTURING OF THE GROUP

The directors are glad to report that the Company entered into the Debt Restructuring Agreement with its Financial Creditors on 17th July 2001. This represented an end to the two years' negotiation with the Financial Creditors for the total indebtedness of approximately HK$660 million of the Group owing to them. In view of the closing of the Debt Restructuring Agreement is conditional upon the fulfillment of various conditions and the Group foresees there will be certain difficulties in fulfilling them, the proposed debt restructuring may or may not proceed. However, the management still believes that entering into the Debt Restructuring Agreement is in the interest of the Group and as well as the shareholders.

As the directors have reiterated in the past, restructuring means providing a new operating environment to the Group. On the one hand, the Group will be benefited from the restructuring to a more stable operating environment, new business opportunities and significant reduction on its financial burden. On the other hand, the obligations of the Group subsequent to the entering of the Debt Restructuring Agreement will also increase inevitably. Management and the directors are well aware of the obligations being borne by each individual and will use their best endeavour to meet these new obligations and challenges.

PROSPECTS

We expect to see further business consolidation in automobile related products in our major markets owing to the recessionary atmosphere in the areas. This is likely to enforce efficiencies among our industry players and possibly leads to industry consolidation. As a result, we foresee a more competitive environment in the coming twelve months before the economies in these countries recover.

We believe that the operational restructuring of the Group is in the finalisation stage after three years of hard work. All the adverse effects from the operational restructuring have been sufficiently provided for in the accounts of the Group.

We anticipate that with the continuing efforts of the management to introduce various cost saving measures to the Group and the substantial reduction in the finance expenses after the closing of the Debt Restructuring Agreement, the operating expenses will be improved significantly.

The PRC's accession to the World Trade Organization ("WTO"), which is expected to take place at the end of 2001, will definitely bring benefits to the Group such as increasing opportunities for sourcing goods at a more favourable price from the PRC. We believe this will offset some of the adverse effects on our business taken as a whole from the increasingly competitive market. The Group will continue to dispose of its non core assets to accelerate the repayment of the rescheduled debt. As most of the Group's Non-core Assets are situated in the PRC, with the favouable market sentiment subsequent to the accession of the PRC to the WTO and the hosting of the 2008 Olympics in Beijing, it is expected that the Group would be in a better position to dispose of its non-core assets at a better price. We are confident that the Group is in a good position to survive in this recessionary period.

ACKNOWLEDGMENTS

Mr. Au Wai-hung, Antonio and Mr. Albert T. da Rosa, Jr. would retire as our executive director and independent non-executive director of the Group respectively and would not seek for re-appointment at the forthcoming annual general meeting. I thank them for their past services and wish them all the best.

I wish to extend my gratitude and sincere appreciation to all professional firms and individuals that have provided their strong support and valuable services and advice to the Group on the debt restructuring.

I also wish to thank the Board of Directors for their guidance and support and to express my appreciation to all the staff members for their hard work and devotion during the year.

Chang Lien-hing, Stephen
Chairman

26th July 2001