


OUTLOOK

The directors of the Company (the "Directors") believe that the long-term outlook of the heavy commercial vehicle market in the Greater China Region is promising and that the Group is well-positioned to take advantage of the expected future growth in these markets. Although there are competitions from other European and Japanese manufacturers, the Group's position prevails on the quality of its products, its ability to provide quality after sale services to its customers and its unique position as the only exclusive distributor of Scania vehicles in the Greater China market.

In the short term, however, the outlook of the industry has been clouded by the uncertainties following the terrorists' attacks in the United States of America (the "US"). In particular, any further deterioration in the US economy is likely to have a negative impact on the economic activities and hence demand for heavy commercial vehicles in the Greater China Region. The weakening in the US dollars may also affect the costs of Scania products for the Group. Nevertheless, up to 30 June 2001, the Group had already received firm orders for 360 Scania coaches with a total value amounting to approximately HK\$400 million. About 300 of the coaches were ordered by Taiwanese customers while the rest were ordered by Hong Kong customers.

The operation of U-Drive, a membership scheme whose members enjoy various motor-related services and benefits, offers a very comprehensive range of services, ranging from telematics and vehicle repair and maintenance services as well as insurance agency, financing and fleet management control services, to its customers. The Directors believe that the chain services offered by U-Drive will complement the business currently carried on by the Group and enable the Group to diversify its scope of business and enlarge its base of recurrent earnings.

Mainland China is currently seeking entry into the WTO. Their entry is expected to open up more opportunities for foreign companies with respect to the importation and sale of goods and the provision of services in general. Under the US-China bilateral trade agreements and the European Union-China agreement on the WTO, the PRC has undertaken to liberalise the provision of automotive financing by distributors and other non-bank financial institutions for the purchase of all motor vehicles. The Directors believe that this will facilitate the growth of the heavy



commercial vehicle market in the PRC, the growth potential of which is currently limited by the lack of credit facilities which are made available to PRC end-users for the purchase of heavy commercial vehicles. The Directors believe that, as exclusive distributor of Scania products fro the entire Mainland China market, the Group is well positioned to benefit for any such development.