

Chairman's Statement



RONG YANG

*Chairman, President and
Chief Executive Officer*

Dear Shareholders:

On behalf of the management of the Company, I am pleased to present our report for the year ended December 31, 2000, a year in which the Company again reached new historical height in many aspects of its operations.

In 2000, the Company's primary operating vehicle, Shenyang JinBei Passenger Vehicle Manufacturing Company Limited ("Shenyang Automotive"), further consolidated its leading position in China's minibus market with

increased sales revenues as well as profitability. These record-setting results were achieved amidst an economic environment of overall improved economic conditions in China but increased competition from our competitors in the Chinese market. The foresight in developing new technologies and new products specific to the Chinese market over the past few years have paid off, giving a healthy boost to sales.

Shenyang Automotive registered increases of 42.2% in unit sales and 44.9% in sales revenue in the year 2000. These results are particularly impressive since they were achieved after two successive years of high growth in 1999 and 1998. We believe these results were attained through our on-going aggressive efforts in developing and introducing into the market new products and improving our national sales and service networks.

The electronic fuel injection system ("EFI") developed by the Company and its international partner in anticipation of stricter emissions standards in China gave Shenyang Automotive a substantial head start advantage when more stringent emissions standards became effective in Beijing and a number of other major cities and provinces in 2000. The stringent emissions stand and practically put traditional carburetor engines out of service. Shenyang Automotive was the first manufacturer in China to use EFI engines in its deluxe and mid-priced minibus models. As China stands ready to adopt safety and environmentally friendly policies in the automotive industry, the Company and Shenyang Automotive will continue to invest in and work with our partners on new technologies for new generations of minibuses.

In 2000, a great deal of resources were devoted to building exclusive dealerships in major cities in China. These exclusive dealerships with their

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high professional standards and unified CI standards have more forcefully projected and promoted our product brand name and provided more efficient and high quality services to our customers. In addition, our improved regional distribution system enabled Shenyang Automotive to manage our distributors and dealers in a more efficiently and cost effectively manner.

In its "Tenth Five Year Plan", the Chinese Government reiterated its intention to give priority to the development of the western province of China which are economically underdeveloped but rich in natural resource. The central and local governments have allocated significant resources to develop the infrastructure of the western provinces. This, we believe, will be conducive to the local automotive markets. In 2000, our unit sales in the region increased by 60%, which is much higher than the average growth rate of our unit sales across the country. Although our largest market today remains in the eastern coastal provinces, we believe that the market in the western provinces in China will provide substantial upward growth potential in the future. We will continue to expand our dealership system in the region to tap into this potential growth.

December 16, 2000 marked an important date for the Company with the formal off-line ceremony for the Zhong Hua sedan. It marked the entry of the Company into a new segment of the auto market in China, the passenger sedan market. It is recognized by the industry worldwide that this is a market segment that offers tremendous market and profit potentials. Although it is expected that the competition will be keen, we believe that our new product enjoys some inherent advantages. For example, it is a sedan specifically and exclusively designed for the Chinese market; it is able to attain high level of

local content at the outset and will offer a cost advantage; it is a result of cooperation with leading international component suppliers and therefore is able to achieve a technology level unmatched by locally developed product; we have an extensive and well connected sales and service network that can be utilized at low cost. Therefore, we are confident that our entry into this new market segment will bring greater opportunities to enhance the Company's growth.

The Company successfully concluded a Technical Assistance Agreement with BMW AG in Shanghai on March 27, 2001. Under this Agreement, BMW will provide engineering consultant services by sending engineers to the Company's facilities in Shenyang to assist in the establishment a stable production process for the Zhong Hua sedan. We believe that these services will be invaluable to the production of the Zhong Hua sedan.

Finally, I would like to take this opportunity to express my gratitude to you, our shareholders, for your support.



Rong Yang
Chairman
April 18, 2001

