MANAGEMENT DISCUSSION AND ANALYSIS

Although our Group attained record performance in Year 2000, we are bracing ourselves for the expected economic downturn in Year 2001 and beyond. The United States, the world's largest economy, is already slowing down and its adverse impact on the remaining open economies of the world and therefore our Group cannot be avoided.

Advocates of transparencies and disclosures in financial reporting have brought about wide changes to international accounting standards that Hong Kong and Singapore have and will continue to adopt. Such changes which have already transformed the recognition of not only income and expenses but also assets and liabilities in Year 2000 will flow into the years to come. Such changes can also have unsettling effects on both bottom lines and shareholders' values. Even so, we believe that if we are quick to adapt to changes we can embrace the future with confidence and emerge stronger and with greater resilience.

The expected reduction in the quota of Certificates of Entitlement (COE) required for commercial vehicle registration and its impact on movements in COE prices in Year 2001 will affect volume and profits of motor vehicle sales. However, with vigilance and proactive management, Year 2001 can be another good year for our Group. We are also hopeful that an expected weaker Japanese Yen will add a positive cushion to our earnings. A strong balance sheet bodes well for our Group and will underpin our ability to handle the changing economic landscape.

Excluding the sale of the Wilby Residence in Singapore, turnover and operating profit rose more than 60% year on year to HKD 5,012 million and HKD 412 million respectively brought about by higher business volume practically across the board and a relatively weaker Japanese Yen. Earnings per share also improved by 56% and return on turnover kept steady at 6%. Although our Singapore operations were the star performers, our businesses elsewhere in the region were encouraging in view of the fact that they are in development stages and in emerging economies. Such businesses are expected to improve their contributions in Year 2001 and beyond.

Other than a floating interest rate amount of HKD 81 million owing to the bank from the purchase of the 30th floor of Shui On Centre and minor day-to-day overdraft balances, our assets are free from borrowings. We have a positive cash position that now stands at HKD 429 million. During the year we paid out HKD 87 million for the purchase of two properties in Singapore for showroom and workshop facilities and 424 million for the purchase of stocks and bonds. We shall be paying Baht 64 million in March 2001 to take over a car servicing company in Thailand that is expected to complement our other investments in Thailand. We believe that because we have a continual need of SGD, USD and Japanese Yen, all our investments and purchases in these currencies are naturally hedged. There are no contingent liabilities.

Investment properties were written down in accordance with professional valuations. The write-down was a result of weaker sentiment in the property market both in Singapore and Hong Kong and amounted to HKD 95 million (net of deffered tax) of which HKD 20 million impacted bottom line, HKD 45 million affected revaluation reserve and the balance went to translation loss. Sale of the Wilby Residence reduced revaluation reserve by another HKD 279 million.

In tandem with increased sales volume, trade debtors and stocks increased by 31% and 41% respectively year on year but their turnovers have improved by 22 % and 17 % to 14 days and 39 days respectively. Likewise, number of employees rose 5 % to 681 and remuneration paid out increased 4 % to HKD 119 million but the numbers are expected to remain stable in Year 2001.