

CHAIRMAN'S STATEMENT

RESULTS

The Group's strong revenue growth in the beginning of the year lost much of its momentum in the later half when the global economy took a sharp reversal particularly in Singapore. Nevertheless, despite 4% weakening of the SGD against HKD revenues reached HKD 5,021 million comparable with HKD 5,057 million last year. Adjusting for the exceptional item in the disposal of Wilby Residence in 2000, comparable profit attributable to shareholders increased by 10.7% in spite of further provisions for the diminution in investment properties values.

VEHICLE SALES

Motor division in Singapore repeated its best selling performance by gaining 5.9 % over the previous year's unit sales. In Singapore, Nissan passenger vehicles continued to increase market share with Sunny and Cefiro models improving by 32.6 % and 15.6% respectively over 2000. The robust Sunny and Cefiro sales helped lift market share for Nissan to 25.6%. Our light commercial vehicle sales saw volume declined by 39% very much in line with the reduction of COE supply. Still, at 2,231 units, it occupied the largest market share.

Subaru sales in Singapore again improved with a rise of 27% demonstrating the strength of the brand with its unique all-wheel-drive technology. Hong Kong made sales gain of 11% in a flat market. The Subaru model lineup for Hong Kong and Singapore has now completed the transition to marketing only all-wheel-drive vehicles.

HEAVY COMMERCIAL AND INDUSTRIAL EQUIPMENT

The slow down experienced in the first half of the year carried well into the second half resulting in a year-on-year reduced volume of sales by some 30% and 28% for trucks and forklifts respectively. The foreseeable economic restructuring in Singapore into a more service rather than manufacturing base will have significant long-term implications for the division. Whilst still profitable, the division plans to move decisively into regional expansion and enlarge product lines. In this respect, the Division now has offices in Vietnam, and also a Shanghai office for Nissan Forklift distribution.

The industrial machinery division in Singapore has also been given the rights to distribute Renault VI range of trucks. This Renault VI range that is in the heavy tonnage category will complement its existing product line.

PROPERTY DEVELOPMENT

In spite of general weakness in the Singapore economy particularly in the second half, revenues from property rentals (excluding Wilby Residence) increased by 11.2%. However the weakening occupancy in the latter half is indicative of difficulties to come but would be an opportune time to refurbish the apartments and reposition the division for an expected improvement in the future.

Our freehold residential development at Upper Aljunied is to press ahead and we have awarded the piling contract. We will be in a position to call for main contract works in the New Year.

The construction of our new showroom /workshop complex at Jalan Ubi is underway and on schedule for completion in 2003. This development will add capacity for sales and service to Nissan customers in Singapore where there is now a pressing need as our sales expand.

TRADING

Tyre Pacific Hong Kong Limited, our Dunlop tyre distribution company in Hong Kong had another profitable year. We have also started the distribution of locally manufactured Dunlop motorcycle tyres in China. As part of the promotion strategy, we have set up a dedicated motorcycle tyre display showroom in Guangzhou complementing our general tyre display center in Shanghai. These centers will spearhead the dissemination of information on the advance types and technology of Dunlop.

During the year we have acquired another 12% of the Guizhou JV Company making us a 24% shareholder in the manufacturing of Yun Que cars. This strengthening relationship with the Guizhou JV puts us in a position to be their OEM seat supplier from our factory facility in Jiangyin. The Xiamen seat manufacturing JV with Golden Dragon Bus Co continued to be profitable and expansion plans are being considered to match the demand of the market. Our JV Dongfeng Nissan Diesel made a maiden profit during the year stemming previous years of losses. Increasing localization of parts has reduced cost and better market awareness of the quality allowed the company to sell its products with improved margins.

FUTURE

Total vehicle demand predicated by the Vehicle Quota System in Singapore will likely sustain at current levels but to be adjusted for the rate at which existing cars are scrapped. The quota for commercial vehicles after last year's reduction could possibly see an increase in COE supply in the new year.

As ever, service to customer will become more important and we have to constantly improve and refine our practice and facilities. The Group is in a good position to provide premium service with our existing internet web-based customer interface which has been progressively developed over the past few years. With our expanded sales last year in Singapore, we have taken measures to strengthen the service levels for our car owners by adding service points and retail and showroom premises. We have also introduced computerized spare parts warehousing at our Toa Payoh facility that will enable faster retrieval and dispatch of parts to customers.

Last year, South East Asia has been battered by slow economic growth. This has intensified the urgency to look for new revenue streams. In this regard, the Group is considering the People's Republic of China as a logical area for us to expand. This is an area that in the past few years saw average growth of 7-8% and whose entry into WTO undoubtedly offers tremendous opportunity. Our experience in certain industries makes PRC an important place where expansion can achieve synergies.

DIVIDEND

The Board of Directors is pleased to make a recommendation for a final dividend payment of 3.5 cents per share. This dividend payment together with the 1.5 cents paid for the interim total 5.0 cents for the year compared with the 4.5 cents for the preceding year.

APPRECIATION

I would like to extend my appreciation to all staff for their contributions during a difficult year. The Group performance has remained strong through their dedicated efforts. The year ahead is fraught with more uncertainties than ever and I appeal to all the staff to remain resolute in their effort and united in engaging the challenges to come.

Dato' Tan Kim Hor DPMS KMN JP
Chairman
14 March 2002