MANAGEMENT DISCUSSION AND ANALYSIS

Financial performance for the Group in year 2001 was within expectations. Major events that unfolded in the year and the impact of economic slow down in various countries have affected both sales volume and margins in most industries. Group unit sales volume has however increased by 5% year on year. Although car sales business in Singapore has to contend with intense competition from pricing and newer models of cars brought in by competitors, it was partly sheltered by low interest rate environment, stable car quota premiums, favourable Japanese Yen currency in exchange for Singapore dollars. We foresee that for year 2002, because of the change to open bidding for car quotas, profit margins may be squeezed even with expected increase in market size for vehicles. On a brighter note, in line with market observers who are looking forward to an economic recovery in year 2002 we believe that activities in our other areas of businesses will pick up accordingly.

In compliance with revised international accounting standards that are moving towards greater transparency and disclosures in financial reporting, the Group has adopted various changes in income recognition and reclassified certain balance sheet items.

Excluding the sale of the Wilby Residence in Singapore and after factoring translation loss of 3.6% arising from the strengthening of the Hong Kong dollar against the Singapore dollar, turnover and operating profit were down a notch by 1% each to HKD 4,970 million and HKD 409 million respectively. Contributions from Motor Distribution improved by 11% (5% if the loss on revaluation of Upper Aljunied Road property amounting to HKD 25 million is factored in) mainly from increased vehicle sales which moved up 7% to 19,200 units, stable exchange rates and quota premiums. Property Division performance was impacted by the soft rentals, gain on sale of two investment properties (in Doncaster with a gain of HKD4.6 million and PNG with a loss of HKD0.4 million) and loss on revaluation of the remaining investment properties. Profit from the Heavy Commercial and Industrial Equipment Distribution Division dropped by 25% whereas returns from our investment portfolio enabled the other divisions to almost double their contributions.

Our bank borrowings of HKD 100 million on a floating interest rate basis were from the balances on the loans for Shui On Centre and purchase of investments and on overdrafts. Net cash position has improved 83% to HKD 787 million. During the year we paid Baht 64 million for the car servicing company in Thailand, HKD 11 million for a further 12% stake in the Guizhou project and HKD 6 million for the purchase of stocks. Currency exposures are minimized as our continual need of SGD, USD and Japanese Yen provides a natural hedge for these currencies. The Group has no contingent liabilities to-date.

Property markets continue to weaken and occupancy rates are expected to remain soft in year 2002. Abiding by IAS40, the HKD 82 million written down on investment properties in accordance with director's valuations was netted off against earnings for the year. Likewise, the investment properties revaluation reserve was reclassified as retained earnings.

Despite the mixed results for the year, stock turnover remains steady at 39 days and trade debtors turnover improved from 14 days to 10 days year on year mainly due to stringent stock and debtor control. To cater for additional car sales and increased volume in before and after sales services for cars head count for existing businesses rose 6% (from 715 to 759). The count of 715 for last year was arrived at after including the numbers in AutoWorld a new 3S center that was left out in last year's head count. New businesses in Vietnam and Thailand added another 63 to the year's head count, bringing the Group head count total to 822.