

EXECUTIVE STATEMENT

SUMMARY

The Group has achieved a satisfactory set of results in the midst of a sluggish economic recovery in the region. Revenue of HK\$3912 million in 2002 represents a drop of some 22% over 2001 with a lower combined unit sales of cars, trucks and forklifts of 15214 from 19785 units in 2001. In tandem, profits attributable to shareholders declined 25.6% to HK\$238 million. However, operating profit for the second half year shows a 32% improvement over that of the first half year. Profit for 2003 is therefore expected to stabilize.

VEHICLE DIVISION

Fewer Certificates of Entitlement issued in Singapore translated into a smaller market for motor vehicles. Nissan sales nevertheless reached 13503 units. Nissan also continues to make new inroads in the MPV and SUV markets with the Prairie becoming the best selling 2.0 litre model and the X-Trail strengthening its market position respectively. Our perennial best selling Nissan Pickup continued to do well in 2002. Nissan Sunny and Cefiro sold in satisfactory numbers that testify to the durability of their design and technology in spite of competition from the introduction of several new models by competitors.

Adopting a niche marketing strategy by concentrating on AWD, (All Wheel Drive), Subaru in Singapore gained market share with significant sales increase from 658 units to 1018 units. The main contributors are the Impreza and its high performance variant the WRX. A successful launch of the XT Forester rounded up a very satisfactory year for Subaru sales in Singapore. In an overall market that shrank nearly 10% Subaru sales in Hong Kong saw a slight decline in its market share.

The Group through Motor Image China has been appointed as the distributor for Subaru cars for Guangdong Province. Sales have commenced in August on two models, namely, the Impreza and Forester.

INDUSTRIAL MACHINERY DIVISION

Predictably, the results of the Division in Singapore saw turnover ease marginally on the back of declining activity in the construction sector. This lower demand together with the pressure of competition saw sales drop to 522 units.

INDUSTRIAL MACHINERY DIVISION (continued)

As part of our plans for regional expansion we have now set up a network in Shanghai that will cover distribution of imported Nissan Forklifts for Zhejiang and Jiangsu Provinces. Sales figures for the period of operation in China are encouraging.

In November the Group acquired the Nissan Diesel truck distributorship and assembly rights for Thailand. Last year the market size for commercial trucks in the 4 Tonne GVW categories expanded by 40% and is expected to expand again in 2003. This expansion offers the Company good potential for increasing sales.

Renault truck sales in Singapore were launched in October and acceptance levels are consistent with current market conditions.

PROPERTY DIVISION

The new terraced housing development at our freehold site in Upper Aljunied Road is progressing as scheduled. Construction costs are well within budget and completion is anticipated to be the end of 2004. Launching the sale of this development may be deferred in view of the current weak property market.

Although property rental situation in Singapore is still weak with the expatriate community diminishing in numbers, the convenient location of Tan Chong Tower in the city near the Bugis MRT Station offers some pricing advantages. Our property rental rates are holding at last year's levels.

The construction of the new multi-storey showroom at Jalan Ubi is making good progress and is expected to complete on schedule by the second quarter of 2004.

OTHERS

The Xiamen seat manufacturing JV with Golden Dragon Bus Co reached record production levels of 105,805 passenger seats and requiring acceleration of our plans for a new factory. The new facility was commissioned in November with additional painting and final assembly lines to improve efficiency and economies of scale.

Truck production at our JV Dongfeng Nissan Diesel factory in Hangzhou also reached new levels with improved profits. In particular the Company has built a strong reputation for its line of concrete mixer and heavy dump trucks.

PROSPECTS

The uncertainty of global economic situation arising from the Middle East situation, particularly its effect on exchange rates and especially the price of oil is expected to impact our various businesses. The current range of expectation for GDP growth is between 2% to 5% in Singapore, 4.5% in Thailand and probably 3.5% in Hong Kong, which together with low retail growth and worsening unemployment makes for an unpredictable year. Our plans for expansion into the region are steps to mitigate those problems of slow growth. These regional moves are progressing well with more investments in Thailand and obtaining additional distribution rights in China. However as the situation unfolds in the future we are confident that we have resources and the management ability to adapt to those changes. The single most important focus for the Group remains the servicing of customers at the highest level. In this regard we continue to expand our servicing facilities everywhere. Last year we acquired a new 20,000 square metre site in Jurong and built TC AutoClinic, a service outlet that is capable of increasing our body repair and painting capacity significantly to bring added convenience to our customers.

DIVIDEND

The Board of Directors (“the Board”) is pleased to make a recommendation for a final dividend payment of 3.5 cents per share. The total dividend for the whole year therefore amounts to 5.0 cents per share in line with 2001. Although profit performance of the Group is lower it is nevertheless a robust return that can support the proposed dividend and contribute to enlarge accumulated funds.

APPRECIATION

The Board wishes to extend deep appreciation and thanks to the staff and management of the Group for their commitment and dedication. The Group’s satisfactory results despite very trying circumstances are a fitting testimony to their conscientiousness. They have contributed in no small way to build up the Group and we have no doubt that they will redouble their efforts to build a better tomorrow.

Dato’ Tan Kim Hor
Chairman
Hong Kong,
11 March 2003