

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group has done well in the face of adverse impact from the economic slow down throughout the region.

Although revenue and profit attributable to shareholders declined 22% and 25.6% year on year to HK\$3,912 million and HK\$238 million respectively, we are encouraged that contributions to bottom line from the second half year is stronger than from the first half and we therefore expect 2003's performance to stabilize.

Unit car sales eased to 13066 from 16969. There were several contributory factors. Firstly, it is the reduction in the number of Certificates of Entitlement (car quota) and changes in other regulatory measures in Singapore. Secondly, the Japanese Yen against the Singapore Dollars was more costly. Thirdly, market share was eroded by the intense price competition and the introduction of new models by other car distributors. The number of Subaru cars sold in Singapore, however, jumped 55% to 1018. This was achieved through innovative niche marketing and the successful launch of the XT Forester.

Property rental revenue and car rental income remained steady whilst truck and forklift sales drifted lower because the construction and logistic sectors remained weak.

Besides tapping the Asia Pacific region for growth, the single most important focus for the Group remains giving our customers the highest level of service. We therefore continue to improve and expand our workshops, showrooms and various web-based facilities. During the year we acquired a 20,000 square metre site in Jurong to house TC AutoClinic, a specialist service outlet that is capable of increasing our body repair and painting capacity significantly to bring added convenience to our customers.

As at end of the year bank borrowings on floating interest rates were HK\$143 million. The increase of HK\$43 million year on year was mainly from Nissan Diesel Thailand (NDT) a newly acquired company and from China projects. Net cash position has eased marginally to HK\$775 million after netting off HK\$204 million used for the cash injection to acquire NDT and for the purchase and developments costs of ongoing projects at newly acquired Sixth Lok Yang Road (Jurong) and at Upper Aljunied Road and Ubi Road. Capital commitment for unfinished projects stood at HK\$257 million. The Group has no contingent liabilities.

The increase in trade debtors was mainly due to a sudden surge in car registrations for the Christmas season. Setting aside this one-off surge, stock and debtors turnovers were stable. Regional activities and added facilities have increased the head count to 915.

The reclassification of certain balance sheet items and changes in recognition of income and expenses are ongoing as more changes and revisions in international accounting standards come into effect.