MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY

2003 was a challenging year because of intense market competition and harsh economic condition worldwide. The currency market was also not in the Group's favour. Nevertheless the Group rode through the difficulties to produce a commendable set of financial results. Sales volume improved but margins were eroded by intense price cutting by competitors and the appreciation of the Japanese Yen against local currencies. Revenue and profit attributable to shareholders appreciated by 9% and 21% year on year to HK$4,281million and HK$289million respectively. Bottom line for the second half year when compared to the first half was up by 13%. We expect the encouraging performance to flow into 2004.

VEHICLE DIVISION

Bumper quota of Certificates of Entitlement ("COE") helped to increase sales. However the intense competition coupled with the introduction of new and cheaper models by our competitors have eroded market share. Sales were firmly supported by the face-lifted Nissan Sunny and the New Nissan Cefiro introduced in the middle and latter part of the year respectively. Nissan commercial vehicle sales accelerated from 1439 units to 2538 units. Another bumper crop of COE quota is expected in 2004.

By re-positioning the Subaru brand name with focus on performance and youth appeal Subaru cars in Singapore reached another milestone with 1210 units sold, a year on year improvement of 19%. Successful launches of the New Subaru Impreza, Legacy and Forester contributed to a steady market share. Subaru sales in Hong Kong were lower, reflecting the local market downturn.

Car rental business did well in 2003 with good revenue and margins. Lower cost of car ownership assisted in toning down rental rates which helped to retain existing and attract new customers. Cost of car ownership is expected to ease further in 2004.

INDUSTRIAL MACHINERY DIVISION

Profit margins for the Division in Singapore and Shanghai were affected by the Japanese Yen currency which appreciated against both the Singapore Dollar and the Renminbi. Medium and heavy truck sales performance in Singapore has close correlation with the activities in the construction and logistic sectors which remained in the doldrums. Although sales volume improved marginally, revenue dropped because of intense competition.

INDUSTRIAL MACHINERY DIVISION (CONT'D)

In Thailand riding on a robust economic growth of 6.4% Nissan Diesel truck sales more than doubled year on year to 989 units and account for 9% of market share up from 6% in year 2002. The new CWM454 full air brakes truck tractor that was launched in March received good review and acceptance by customers.

PROPERTY DIVISION

Property rental business experienced a difficult year. Occupancy and rental rates fell on the back of intense price cutting by competitors. The situation of oversupply of service apartments is not expected to abate in 2004.

The new terraced-housing development at our freehold site in Upper Aljunied Road is expected to be completed at the end of the first quarter of 2005. Sales launch is expected on completion if market conditions are conducive. The 3S Centre at Ubi Road completed at the end of 2003 is expected to commence business operations in the second quarter of 2004 adding to existing facilities for better convenience to our customers to purchase and service their cars. When retrofitting work on 76% of the apartments in Tan Chong Tower is completed at the end of the first quarter of 2004 occupancy rate is expected to improve significantly from the current 55% with better rental returns. The newly renovated service apartments with close proximity to the city centre offer some pricing advantages.

CHINA DIVISION

MotorImage China strengthened its distribution base for Subaru cars to include Guangxi, Hunan and Hainan. A new 3S (Sales, Service and Spare Parts) Centre in Dongguan when ready in early 2004 will deliver a comprehensive range of auto services to customers and dealers. The new Subaru Legacy will add to our range of turbo-powered Forester and WRX and assist market penetration.

Production and sales volume at our JV Dongfeng Nissan Diesel factory in Hangzhou improved steadily. Our Wuxi seat plant has successfully entered into contracts to supply specialty industrial seats to Japan and the United States.

Tyre Pacific (HK) Ltd our JV specializing in tyre sales has successfully concluded a Joint Venture Agreement with Sumitomo Rubber Industries Limited to distribute DUNLOP tyres manufactured in the PRC. This distribution will begin in April 2004 with some 400 sales points throughout China.

FINANCE

Bank borrowings eased to HK$123 million from HK$143 million mainly due to disposal of long term investments to crystallize price and exchange gain and the repayment of installments on Shui On Centre. Net cash is lower than the first half of the year because of stocking up of new car models in anticipation of sales and payments for capital projects. Capital commitments for construction and retrofitting projects at Upper Aljunied Road (Mulberry Grove), Ubi Road, 19 Lorong 8 Toa Payoh, Tan Chong Tower and the 3S Centre in Petaling Jaya, Kuala Lumpur totaled HK$228 million. There is no contingent liabilities to-date. Head count eased slightly.

PROSPECTS

Although global economic situation is expected to improve, unpredictable foreign exchange rates and health epidemics may impact Group financial performance. Plans for regional expansion continue and increasing contributions are expected from resultant new businesses. Together with continual vigilance on cost cutting measures, we look forward to a rewarding year 2004 for the Group.