Continuing world wide geopolitical uncertainties, unpredictable interest rate trend and high fuel prices will likely dampen financial performance.

MANAGEMENT DISCUSSION & ANALYSIS

The Group faced many challenges in year 2006. New cars and new models were introduced in Singapore. Nissan's share of the market was however reduced because of:

- Keen competition from new entrants and existing parallel importers and cheaper cars from the regional countries
- No new models to bring in more customers
- With the introduction of the Euro 4 Emission Standard in Singapore that took effect from the last quarter 2006 there were no sales of commercial vehicles.

On the other hand bottom line has been cushioned by cheaper car quota prices, the strengthening of the Singapore dollar and Asian currencies and the relative weakness of the Japanese Yen against the US dollar. Continuing world wide geopolitical uncertainties, unpredictable interest rate trend and high fuel prices will likely dampen financial performance. Consumers' confidence is still trending towards smaller and cheaper cars. Sales volumes of Subaru cars in Singapore, China and Hong Kong improved year on year but bottom line was thinner. After-sales servicing of vehicles strengthened in volume and profitability.

Group Revenue year on year dropped 2.5% to HKD5.853 billion dampened by reduced Nissan and Nissan Diesel unit sales volumes which dipped 18.9% and 20.5% to 16,796 and 1,412 respectively although cushioned somewhat by the 64.3% increased unit sales volume to 4,082 from Subaru sales in Singapore, PRC, Hong Kong and the region.

Group profits attributable to shareholders year on year would have dropped 7.6% if they were not boosted by the HKD163 million bonus from increased value of investment properties, write-backs, higher net interest income and dividend received and higher foreign exchange gain. Overall group profits attributable to shareholders were up 29.0% year on year. Expenses from Singapore Motor Show 2006 had resulted in higher distribution and administrative costs but other overheads and financing costs were well contained. Share of earnings of associates moved up 31.4%.

Other than increased value of investment properties, financial performance of the Property Division improved over last year with better occupancy and rental rates helped by the influx of expatriates into Singapore. The situation is expected to improve further. Nevertheless continuing high interest costs may override the better revenue.

Over at the Industrial Machinery Division, truck sales in Singapore declined despite better sentiments in the logistics and construction sectors. With the introduction of the Euro 4 Emission Standard in Singapore since the last quarter of 2006 there were no medium-sized truck sales. Margins rose because of contributions from the first three quarters of the year. Although truck sales volume in Thailand declined, profits improved because of better margins and foreign exchange gain.

Capital commitments dropped to HKD38 million from HKD69 million as at end of last year. These commitments are the balances from various completed and completing projects. Continuing expansion in sales activities regionally increased head count to 1,180.

During the year our Vantone offices in Beijing China were sold and our property at Tan Chong Industrial Park was reclassified from investment property to fixed assets because it was used within the Group. The number of investment properties is therefore reduced from 7 to 5.

With its solid financial standing the Group will continue its expansion into the region. It will proceed to borrow more long term debt to meet infrastructural and investment needs if interest rates are conducive.

The Group has adopted the changes in reporting standards as required by the Stock Exchange of Hong Kong and the International Accounting Standards Board.

Financial performance of the Property Division improved over last year with better occupancy and rental rates.