

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2003.

Principal activities

The principal activity of the Company is investment holding. Details of the principal activities of its principal subsidiaries and associates are set out in notes 45 and 46 to the financial statements, respectively. There were no significant changes in the nature of the Group's principal activities during the year.

Results and dividends

The Group's profit for the year ended 31 December 2003 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 31 to 96.

No interim dividend was paid during the year (2002: Nil). The directors recommend the payment of a final dividend of HK 3 cents (2002: HK 3 cents) per ordinary share in respect of the year to shareholders on the register of members on 21 May 2004. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the capital and reserves section of the balance sheet.

Use of proceeds of the Company's rights issue of warrants

In May 2001, the Company raised net proceeds of HK\$91.6 million from the rights issue of warrants, after deducting related expenses. As at 31 December 2002, HK\$28.3 million of the proceeds had been used. During the year, the Group fully applied the remaining balance of the proceeds for the construction of the Shanghai "Autohaus", and showrooms and service centres in the major cities of the People's Republic of China ("PRC") and in the Republic of Korea ("Korea"), and the development of joint venture dealerships.

Summary financial information

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on pages 97 and 98. This summary does not form part of the audited financial statements.

Fixed assets and investment properties

Details of movements in the fixed assets and investment properties of the Company and the Group during the year are set out in notes 13 and 15 to the financial statements, respectively.

Share capital, share options and warrants

There were no movements in the Company's authorised or issued share capital and warrants during the year. Details of movements in the Company's share options during the year are set out in note 37 to the financial statements.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 38 to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable reserves

As at 31 December 2003, the Company's reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Hong Kong Companies Ordinance, amounted to HK\$651,009,000 of which HK\$28,535,000 was proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of HK\$2,459,521,000, may be distributed in the form of fully paid bonus shares.

Major suppliers and customers

In the year under review, the Group's major supplier was DaimlerChrysler AG, which accounted for 39% of the Group's total purchases. The Group's five largest suppliers, including DaimlerChrysler AG, accounted for 62% of the Group's total purchases.

In the year under review, the Group's sales to its five largest customers accounted for 22% of the Group's total sales. The Group's major customer accounted for 5% of the Group's total sales.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers.

Directors

The directors of the Company during the year were:

Executive directors:

GAN Khian Seng

YONG Foo San, JP

HARMS Volker Josef Eckehard

LIM Mooi Ying, Marianne

Independent non-executive directors:

FUNG Ka Pun

LANGLEY Christopher Patrick, OBE

Non-executive director:

YANG Victor

In accordance with article 116 of the Company's articles of association, Yong Foo San, JP, Ms Lim Mooi Ying, Marianne and Mr Fung Ka Pun will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Directors' and senior management's profiles

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 21 to 22 of the annual report.

Directors' service contracts

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' interests and short positions in shares and underlying shares

At 31 December 2003, the interests and short positions of the directors in the share capital and warrants of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions in ordinary shares of the Company:

Name of director		Number of shares held, capacity and nature of interest				Total	Percentage of the Company's issued share capital
		Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Beneficiary of a trust		
Lim MooiYing, Marianne	Note	–	–	60,000	–	60,000	0.006

Long positions in warrants of the Company:

Name of director		Number of shares held, capacity and nature of interest			
		Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Beneficiary of a trust
Lim MooiYing, Marianne	Note	–	–	12,000	–

Note: The corporate interests in these shares and warrants are held through Westwood Management Limited, of which Ms Lim MooiYing, Marianne is a controlling shareholder.

The interests of the directors in the share options of the Company are separately disclosed in note 37 to the financial statements.

Saved as disclosed above, and other than certain nominee interests in the subsidiaries held in trust for the Company, none of the directors or their associates had registered an interest or short position in the shares and underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

Directors' rights to acquire shares or debentures

Save as disclosed under the heading "Directors' interests and short positions in shares and underlying shares" above and in the share option scheme disclosures in note 37 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debenture of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Directors' interests in contracts

No director had a material beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

Substantial shareholders' and other persons' interests in shares and underlying shares

At 31 December 2003, the following interests of 5% or more of the issued share capital, share options and warrants of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital	Number of warrants held
Victon Investment Limited	Beneficial owner	235,282,761	25	47,056,551
Amerdale Investments Limited	Beneficial owner	170,062,075	18	35,209,808

Save as disclosed above, no person, other than a director of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Purchase, redemption or sale of listed securities

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

Post balance sheet event

Details of the post balance sheet event of the Group are set out in note 47 to the financial statements.

Code of Best Practice

In the opinion of the directors, the Company has complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules, throughout the accounting period covered by the annual report, except that the independent non-executive directors and a non-executive director are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's articles of association.

Audit committee

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls.

Auditors

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Lim Mooi Ying, Marianne

Company Secretary

Hong Kong

15 April 2004