

report of the directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2002.

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 44 and 45 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 2002 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 37 to 91.

No interim dividend was paid during the year (2001: Nil). The directors recommend the payment of a final dividend of HK3 cents (2001: HK3 cents) per ordinary share in respect of the year to shareholders on the register of members on 22 May 2003. This recommendation has been incorporated in the financial statements as an allocation of retained earnings within the capital and reserves section in the balance sheets. Further details of this accounting treatment are set out in note 11 to the financial statements.

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 2001, HK\$6.6 million of the proceeds was used. During the year, the Group applied HK\$21.7 million of the proceeds towards Shanghai "Autohaus" and Seoul showroom.

At 31 December 2002, the cash and bank balances of the Group, which included the unused net proceeds, were HK\$488 million. The unused net proceeds will be applied to the construction of the Shanghai "Autohaus", showroom and workshop in Korea.

Summary financial information

A summary of the published results and of the 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 92 and 93. This summary does not form part of the audited financial statements.

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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

Details of movements in the Company's share capital, share options and warrants during the year, together with the reasons therefor, are set out in notes 34 and 35 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 36 to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable reserves

As at 31 December 2002, the Company's reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Companies Ordinance, amounted to HK\$620,640,000, 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 51% of the Group's total purchases. The Group's five largest suppliers, including DaimlerChrysler AG, accounted for 80% of the Group's total purchases.

In the year under review, the Group's sales to its five largest customers accounted for 17% 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.

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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 (appointed on 18 April 2002)

LAU Chor Lok (resigned on 9 July 2002)

LAU Kwok Kee (resigned on 9 July 2002)

Independent non-executive directors:

FUNG Ka Pun

LANGLEY Christopher Patrick, OBE

YANG Victor (appointed on 31 December 2002)

TAN Ghee Kiat (resigned on 31 December 2002)

In accordance with articles 99 and 116 of the Company's articles of association, Mr Gan Khian Seng, Mr Volker Harms and Mr Victor Yang 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 27 to 28 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 other than statutory compensation.

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Directors' interests in shares and warrants

At 31 December 2002, the interests of the directors and their associates in the share capital and warrants of the Company or its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Ordinary shares of the Company

Name of director	Number of ordinary shares of HK\$1 each held and nature of interest			Total
	Personal	Family	Corporate	
Lim Mooi Ying, Marianne – note 1	—	—	60,000	60,000
Lau Chor Lok – notes 2 & 3	30,262	1,812	37,832,865	37,864,939

Warrants of the Company

Name of director	Number of warrants held and nature of interest			Total
	Personal	Family	Corporate	
Lim Mooi Ying, Marianne – note 1	—	—	12,000	12,000
Lau Chor Lok – notes 2 & 3	—	—	7,566,572	7,566,572

Notes:

1. The corporate interests in these shares and warrants are held through Westwood Management Limited, of which Ms Lim Mooi Ying, Marianne is a controlling shareholder.
2. The corporate interests in these shares and warrants are held through Pacific City Investments Limited and Beauty Year Limited, of which Mr Lau Chor Lok is a controlling shareholder.
3. With effect from 9 July 2002, Mr Lau Chor Lok resigned as a director of the Company.

The interests of the directors in the share options of the Company are separately disclosed in note 35 to the financial statements.

Apart from the above, and other than certain nominee interests in the subsidiaries held in trust for the Company, none of the directors or their associates held any interest, beneficial or non-beneficial, in the share capital of the Company or its associated corporations.

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Share option scheme

Due to the adoption of Statement of Standard Accounting Practice No. 34 “Employee benefits” during the year, most of the detailed disclosures relating to the Company’s share option scheme have been moved to note 35 to the financial statements.

Directors’ rights to acquire shares or debentures

Save as disclosed under the heading “Directors’ interests in shares and warrants” above and in the share option scheme disclosures in note 35 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or any of its subsidiaries or fellow 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 in any contract of significance to the business of the Company to which the Company or any of its subsidiaries was a party during the year.

Connected transactions

During the year, the Group had related party transactions, as further detailed in note 42 to the financial statements, which also constituted connected transactions under the Listing Rules of The Stock Exchange of Hong Kong Limited (the “Listing Rules”). In the opinion of the directors, such connected transactions were conducted in the normal course of business and the Company has complied with the relevant requirements under Chapter 14 of the Listing Rules.

Substantial shareholders

At 31 December 2002, according to the register required to be kept under Section 16(1) of the SDI Ordinance, the following shareholders were interested in 10% or more of the issued share capital of the Company:

Name	Number of shares held	Percentage of issued share capital
Victon Investment Limited	235,282,761	25
Amerdale Investments Limited	170,062,075	18

Save as disclosed above, no person, other than a director of the Company, whose interests are set out in the section “Directors’ interests in shares and warrants” above, had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

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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.

Code of Best Practice

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules (the "Code"), throughout the accounting period covered by the annual report, except that the independent non-executive directors 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. The audit committee comprises two independent non-executive directors, Mr Fung Ka Pun and Mr Victor Yang.

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

16 April 2003