

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 2004.

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 2004 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 98.

No interim dividend was paid during the year (2003: Nil). The directors recommend the payment of a final dividend of HK 3 cents (2003: HK 3 cents) per ordinary share in respect of the year to shareholders on the register of members on 19 May 2005. 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.

Summary financial information

A summary of the published results and assets, liabilities and minority interests 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 99 and 100. 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

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 35 and 36 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 37(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable reserves

As at 31 December 2004, 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\$636,108,000 of which HK\$31,816,000 was proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of HK\$2,705,398,000, may be distributed in the form of fully paid bonus shares.

Report of the Directors (Continued)

Major suppliers and customers

In the year under review, the Group's major supplier was DaimlerChrysler AG, which accounted for 40% of the Group's total purchases. The Group's five largest suppliers, including DaimlerChrysler AG, accounted for 79% of the Group's total purchases.

In the year under review, the Group's sales to its five largest customers accounted for 26% of the Group's total sales. The Group's largest customer accounted for 8% 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

LAM Kwong Yu (appointed on 4 August 2004)

Non-executive directors:

YANG Victor (re-designated on 16 September 2004)

LANGLEY Christopher Patrick, OBE (re-designated on 28 September 2004)

Independent non-executive directors:

FUNG Ka Pun

MEIER Hubert (appointed on 17 September 2004)

SMITH Alan Howard, JP (appointed on 28 September 2004)

In accordance with article 116 of the Company's articles of association, Mr Gan Khian Seng, Mr Volker Josef Eckehard Harms and Mr Christopher Patrick Langley will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Mr Lam Kwong Yu, Mr Hubert Meier and Mr Alan Howard Smith, having been appointed to the Board under article 99 of the Company's articles of association will also retire and, being eligible, will offer themselves for election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from Mr Fung Ka Pun, Mr Hubert Meier and Mr Alan Howard Smith, and as at 14 April 2005 still considers them to be independent.

Report of the Directors (Continued)

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 26 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 of compensation, other than statutory compensation.

Directors' interests in shares and underlying shares

At 31 December 2004, the interests of the directors in the share capital and underlying shares 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 Issuers, were as follows:

Long position 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 Mooi Ying, Marianne	Note	–	–	60,000	–	60,000	0.006

Long position in warrants of the Company:

Name of director		Number of warrants 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 Mooi Ying, Marianne	Note	–	–	12,000	–	12,000	–

Note: 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.

Report of the Directors (Continued)

Directors' interests in shares and underlying shares (Continued)

The interests of the directors in the share options of the Company are separately disclosed in note 36 to the financial statements.

Save as disclosed above, as at 31 December 2004, and other than certain nominee interests in the subsidiaries held in trust for the Company, none of the directors had registered an interest or short position in the shares, 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 Issuers.

Directors' rights to acquire shares or debentures

Save as disclosed under the heading "Directors' interests in shares and underlying shares" above and in the share option scheme disclosures in note 36 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 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 2004, the following interests of 5% or more of the issued share capital 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	22	47,056,551
Amerdale Investments Limited	Beneficial owner	205,271,883	20	–

Save as disclosed above, as at 31 December 2004, no person, other than a director of the Company, whose interests are set out in the section "Directors' interests 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.

Report of the Directors (Continued)

Discloseable and connected transaction

During the year, the Group had the following connected transaction, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

On 28 June 2004, in accordance with the terms of a sale and purchase agreement dated 8 June 2004, Knightsbridge Limited, an indirect wholly-owned subsidiary of the Company, disposed of the Group's entire interest in Zhong Li Investment Limited, representing 51% of the issued share capital thereof, to Capital Motors Inc., in which the Company holds an indirect interest of 34.9%, for an initial consideration. Pursuant to a supplemental agreement dated 19 October 2004, the disposal consideration was adjusted and determined at HK\$253,463,000. A gain of approximately HK\$91 million resulted from the disposal. Further details of the transaction are included in notes 38(c) and 43 to the financial statements.

Purchase, redemption or sale of listed securities of the Company

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

Sufficiency of public float

Based on information that is publicly available to the Company and to the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

Post balance sheet event

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

Code of Best Practice

In the opinion of the directors, the Company 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 the 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.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the "Model Code") as the Company's code of conduct for dealings in securities of the Company by the directors. Based on specific enquiry of the Company's directors, the directors have complied with the required standard set out in the Model Code, throughout the accounting period covered by the annual report.

Report of the Directors (Continued)

Audit committee

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the three independent non-executive directors of the Company.

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

Gan Khian Seng
Managing Director

Hong Kong
14 April 2005