

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2006.

Principal activities

The principal activity of the Company is investment holding. Details of the principal activities of the Company's principal subsidiaries and principal associates are set out in notes 47 and 48 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 2006 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 65 to 159.

No interim dividend was paid during the year (2005: Nil). The directors recommend the payment of a final dividend of HK3 cents (2005: HK3 cents) per ordinary share in respect of the year to shareholders on the register of members on 22 May 2007. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity 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 restated/reclassified as appropriate, is set out on page 160. This summary does not form part of the audited financial statements.

Property, plant and equipment and investment properties

Details of movements in the property, plant and equipment, and investment properties of the Company and the Group during the year are set out in notes 13 and 14 to the financial statements, respectively. Further details of the Group's investment properties are set out on pages 118 to 120.

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 37 and 38 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 39(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

▶ Report of the Directors (continued)

Distributable reserves

As at 31 December 2006, 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\$626,851,000, of which HK\$31,818,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of HK\$2,733,069,000, 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 Mercedes-Benz (China) Limited, which accounted for 36% of the Group's total purchases. The Group's five largest suppliers 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 11% 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*

Lim Mooi Ying, Marianne

Volker Josef Eckehard Harms (resigned on 19 April 2006)

Poh Yeow Kim Lawrence (resigned on 19 April 2006)

Non-executive directors:

Victor Yang

Christopher Patrick Langley, *OBE*

Lam Kwong Yu, *SBS*

Independent non-executive directors:

Fung Ka Pun

Hubert Meier

Alan Howard Smith, *JP*

Subsequent to the balance sheet date, on 1 March 2007, Mr. David Park was appointed as an executive director of the Company and the Chairman of the Board.

▶ Report of the Directors (continued)

In accordance with article 99 of the Company's articles of association, Mr. David Park will retire and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

In accordance with article 116 of the Company's articles of association, Ms. Lim Mooi Ying, Marianne, Mr. Lam Kwong Yu and Mr. Hubert Meier will retire and, being eligible, will offer themselves for re-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 the date of this report still considers them to be independent.

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 54 to 56 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 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.

Directors' interests in shares and underlying shares

At 31 December 2006, the interest of a director 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") was 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	-	-	72,000	-	72,000	0.007

▶ Report of the Directors (continued)

Note: The corporate interest in these 72,000 ordinary shares of the Company is held through Westwood Management Limited, of which Ms. Lim Mooi Ying, Marianne is the sole shareholder.

Subsequent to the balance sheet date, on 9 March 2007, Ms. Lim Mooi Ying, Marianne acquired the 72,000 shares from Westwood Management Limited in her name.

The interests of the directors in the share options of the Company are separately disclosed in note 38 to the financial statements.

Save as disclosed above, as at 31 December 2006, 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 and underlying shares 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.

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 38 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.

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

At 31 December 2006, the following interests of 5% or more of the issued share capital 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
Victon Investment Limited	Beneficial owner	235,282,761	22
Amerdale Investments Limited	Beneficial owner	205,271,883	19

Save as disclosed above, as at 31 December 2006, no person, other than a director of the Company, whose interest is set out in the section "Directors' interests in shares and underlying shares" above, had registered an interest or short position in the shares and underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

▶ Report of the Directors (continued)

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 Group are set out in note 49 to the financial statements.

Corporate governance

The Company has published its Corporate Governance Report, details of which are set out on pages 38 to 53 of the annual report.

Audit committee

The Company has an audit committee which was established 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

David Park

Chairman

Hong Kong

19 April 2007