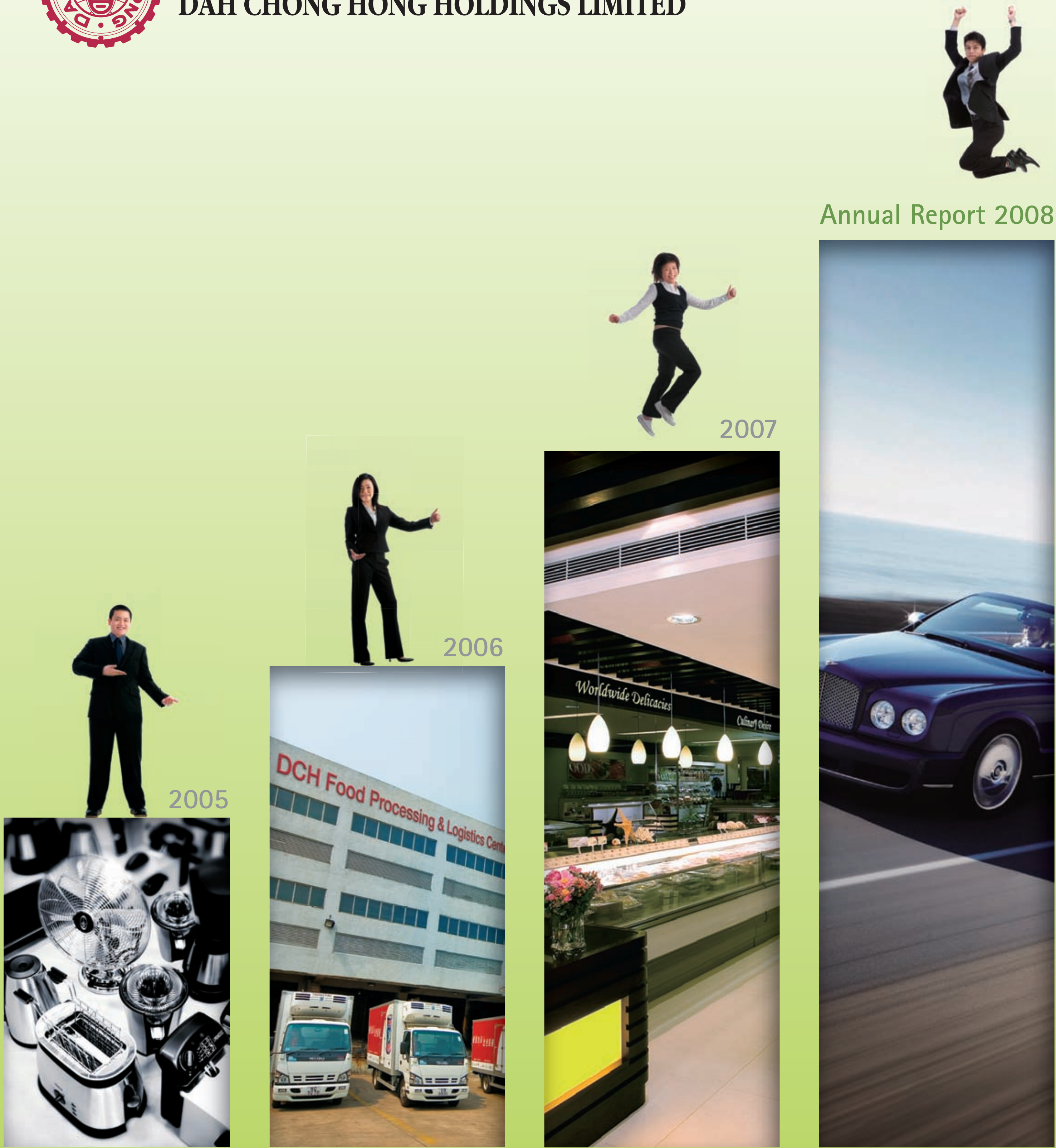
大昌行集團有限公司

DAH CHONG HONG HOLDINGS LIMITED

Annual Report 2008



Vitality and Professionalism

OUR CHINA MOMENTUM

Stock Code : 01828

ABOUT DCH

DCH Holdings is a business conglomerate with key interest in the consumer market and has gained strong foothold in Hong Kong, Macao, Mainland China, Singapore, Japan and Canada. It has proven itself as a trustworthy brand name in a diversified business portfolio with three core pillars. They are Motor and Motor Related Business, Food and Consumer Products Business as well as, Logistics Business. Synergizing on one another's nature and strength, an integrated business platform with scale advantages is created and stable revenue has been brought to the Group throughout the past decades. Grasping the invaluable business opportunities in Mainland China, DCH Holdings has successfully established its operations in the country and will continue the focus in this global economic powerhouse with vigorous development of its core businesses in the coming years to ensure remarkable contributions to the Group.

CONTENTS

BUSINESS HIGHLIGHTS

21.5%

Growth in Total Turnover

Motor and Motor Related Business

- Unit sales of vehicles in Mainland China increased by 8.6%.
- Number of 4S shops in Mainland China expanded to 40, with dealerships of Chevrolet, FAW Audi, FAW Toyota, Lexus and Mercedes Benz added.
- Captured 30% market share of Hong Kong new vehicles market.
- Captured over 50% market share of Hong Kong trucks and non-franchised buses market.
- Robust growth in sales of premium brands and environmental-friendly vehicle in Hong Kong recorded. Sales volume of Audi, Bentley and Honda vehicles increased by 34.8%, 36.7% and 22.6% respectively.
- Appointed as official transportation solutions provider for the equestrian events of 2008 Beijing Olympics in Hong Kong and other events in Beijing.
- Awarded motor leasing operation licence in Shanghai and the new venture will commence operation in mid-2009.
- Joint venture with UMW, a listed company in Malaysia, for blending and distribution of motor lubrication oil in Mainland China was established. Infrastructure construction will commence in mid-2009.

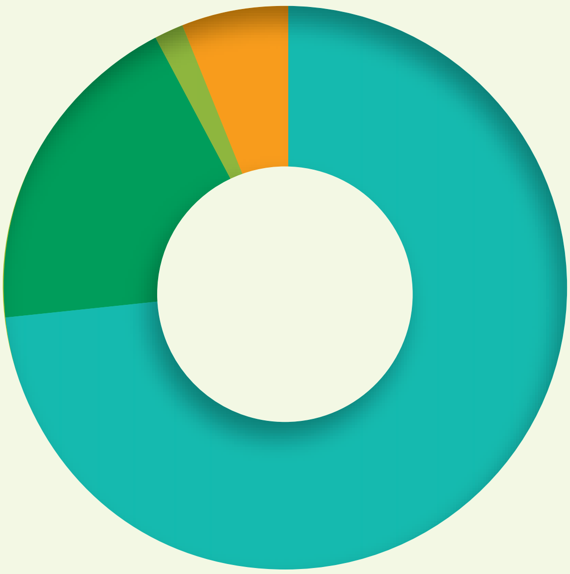
Food and Consumer Products Business

- Continued upstream development by acquiring Polyfood Food Service Co. Limited in Hong Kong for processing of western style delicatessen food, and Guangdong Victory Electrical Appliances Manufacturing Co., Ltd in Mainland China for manufacturing of small premium electrical appliances.
- Expanded distribution network and product portfolio of premium imported foods and FMCG in Mainland China by acquiring Shanghai Sunny Life Enterprise, and forming Goodwell China Marketing Service Co., Ltd.
- Retail food outlets in Hong Kong increased by 14, bringing the total number of outlets to 69, including 12 DCH Food Mart Deluxe and 57 DCH Food Mart.

Logistics Business

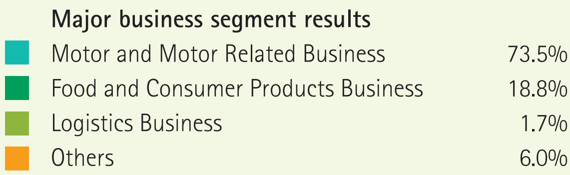
- The multi-temperature Yuen Long Logistics Centre is under renovation and it will commence operation by phases from 1Q of 2009 onwards.
- Additional import bonded warehouse and cold storage facilities at the Xinhui Logistics Centre are under construction. It is targeted to commence operation by 3Q and 4Q of 2009 respectively.

FINANCIAL HIGHLIGHTS



19.7%

Growth in Profit from Operations



HK$ million	2008	2007
Turnover	19,496	16,050
Profit from operations	851	711
Adjusted net profit from continuing operations (Note 1)	566	435
Profit attributable to shareholders	563	515
Major business segment results		
Motor and Motor Related Business	718	483
Food and Consumer Products Business	184	149
Logistics Business	17	17
Others	59	54
Total debt	2,909	1,947
Cash and bank deposits	1,643	1,653
Net debt	1,266	294
Shareholders' funds	4,865	4,282
Total capital	6,131	4,576
Capital employed	7,774	6,229

HK cents	2008	2007
Earnings per share	31.30	31.07
Dividends per share (post-IPO)		
Interim	6.43	-
Final	2.95	2.13 (Note 2)

Notes: (1) Exclude net valuation gain/loss on investment properties and other non-operating items.

(2) The level of dividend was recommended with reference to the net profit of the Group, apportioned to the period from 17 October 2007 (the date when the Company became listed in The Stock Exchange of Hong Kong Limited) to 31 December 2007.

CHAIRMAN'S LETTER TO SHAREHOLDERS

2008 was a fruitful year for Dah Chong Hong Holdings Limited ("DCH"). In the first half of 2008, the Group has achieved very good results. As reported in our 2008 Interim Report, turnover of the Group and profit attributable to shareholders of the Company increased by 36.2% and 37.6% respectively in the first six months of 2008. However, in the fourth quarter, affected by the global financial tsunami, business slowed down significantly, especially the sales of motor car in Hong Kong. Despite such changes in the economic environment, we are happy to report that we achieved our business targets for 2008 under the leadership of our experienced management staff and braced by our diversified business portfolio.

Operating Results

The Group achieved a total turnover of HK$19,496 million in 2008, representing a marked year-on-year growth of 21.5% (2007: HK$16,050 million). Profit attributable to shareholders increased by 9.3% to HK$563 million (2007: HK$515 million). Basic earnings per share were 31.30 HK cents for the year (2007: 31.07 HK cents). The Board of Directors proposed payment of a final dividend of 2.95 HK cents per share for the year ended 31 December 2008. Together with the interim dividend of 6.43 HK cents per share already paid during the year, total dividend for the year ended 31 December 2008 amounted to 9.38 HK cents per share.

For Motor and Motor Related Business, we have expanded our motor dealership network to 40 4S shops in Mainland China with new dealerships such as *Chevrolet*, *FAW Audi*, *Lexus* and *Mercedes Benz* added, and significant sales growth was recorded for *Audi*, *Bentley* and *Honda* in Hong Kong. In addition, we won a tender for the right to operate motor leasing business in Shanghai. Preparation work of the joint venture lubrication oil blending plant in Xinhui progressed well during the year and site work is scheduled to commence in mid-2009. We also provided transportation solutions to the equestrian events of the 2008 Beijing Olympics held in Hong Kong.

For Food and Consumer Products Business, we expanded our distribution network of FMCG in Mainland China by acquiring Shanghai Sunny Life Enterprise ("Sunny Life") and forming a joint venture Goodwell China Marketing Service Co., Ltd. ("Goodwell China") to enrich our product portfolios and brands. In addition, we diversified into food manufacturing and processing by acquiring Polyfood Food Service Co. Limited ("Polyfood") in Hong Kong which is setting up a new food processing centre in Yuen Long. The total number of retail outlets of DCH Food Mart and DCH Food Mart Deluxe was increased from 55 to 69. We also became involved in manufacturing of consumer electrical appliances after we acquired Guangdong Victory Electrical Appliances Manufacturing Co., Ltd. ("GDVTR") in August 2008.

For Logistics Business, warehouses in Xinhui started operation in the fourth quarter of 2008, and the expansion of the bonded warehouse, the cold storage facilities in Xinhui Logistics Centre and the Yuen Long Logistics Centre will commence operation in 2009. With a new warehouse facility acquired in Macao, we have strengthened our capability and competitiveness in providing logistics services to third parties in the Pearl River Delta.

Despite the challenges in 2008 and impacts of global financial tsunami, the Group remained in a solid financial position with strong liquidity. As at 31 December 2008, the Group had a cash and bank balance of HK$1,643 million and net debt of HK$1,266 million. We continued to operate under a healthy gearing ratio of 20.6%. The management will closely monitor our financial risk and to follow our policy of hedging on commodity, interest rate and currency risk. We will also tighten our control in relation to credit and inventory to protect the interests of our shareholders.

In 2008, we implemented a Quality Management Enhancement Programme ("QMEP") to enhance our operational efficiency, profitability and customer satisfaction. This timely move helped the management tackle the slow down of business in 2008 and will help meet the challenges to the business of the Group in 2009.

Prospects

Looking ahead, the Group expects the macroeconomic environment to remain challenging in 2009. While the Motor Business in Hong Kong will slow down, that in Mainland China will keep stable. As for Food and Consumer Products Business, it will be mildly impacted in the economic downturn. We believe the progress we made in 2008 and the solid foundation of our three core businesses will enable us to tackle the uncertainties and challenges in front of us, and we will be cautious in steering and expanding our operations. With the Chinese Government launching a series of stimulus packages in boosting domestic demand and consumer spending, we believe that DCH, being a consumer product company with focus in Mainland China and Hong Kong markets, will be benefited in 2009.

For our Motor and Motor Related Business, we will continue to evaluate potential investment opportunities including acquisitions of more 4S shops and motor related business to strengthen our presence and market share in Mainland China and Hong Kong. Furthermore, we shall put efforts into enhancing the profitability and competitiveness of existing 4S shops.

Since food is a basic necessity and most of our food items are staple goods, we do not see the global financial tsunami having serious impact on our Food and Consumer Products Business. We will strive to maintain growth in 2009 by diversifying upstream into food processing. The growing concern among consumers about food safety is likely to be translated into demand for quality food both in the Mainland China and Hong Kong markets. Riding on our already strong market recognition, this trend helps raising the presence of our quality food products and services, thus the sale of our food commodities.

As for the Logistics Business, its customer portfolio was refined in 2008, and when the logistics infrastructure in the Pearl River Delta is completed this year, it will be ready to start a new chapter and forge ahead at full force.

Inevitably the global economy will be in recession in the year of 2009. With our long history and strong foundation, DCH is well prepared to overcome the hurdles posed on our businesses by the economic downturn. The efforts we have made in diversifying and expanding our business platform in the last few years will assure we have stable revenues. And, the management will focus on implementing the QMEP to enhance efficiency and profitability. Cost control will also be tightened in coping with the difficult times ahead without compromising customer service excellence.

We will strive to move in the direction we have set for DCH in 2009, though we may need to slightly adjust the pace of our endeavours heeding the conditions in the macroeconomic environment.

We keep moving!

Appreciation

On behalf of the Board of Directors, I would like to take this opportunity to thank every staff member for contributing to the stable growth of the Group. I also wish to express my appreciation to our customers and business partners for their continuing support. As always, we will remain committed to growing the businesses of DCH Group and generate good returns for our shareholders.

Hui Ying Bun *Chairman*
Hong Kong, 23 March 2009

HK$19,496m

TOTAL TURNOVER

HK$563m

PROFIT ATTRIBUTABLE TO SHAREHOLDERS

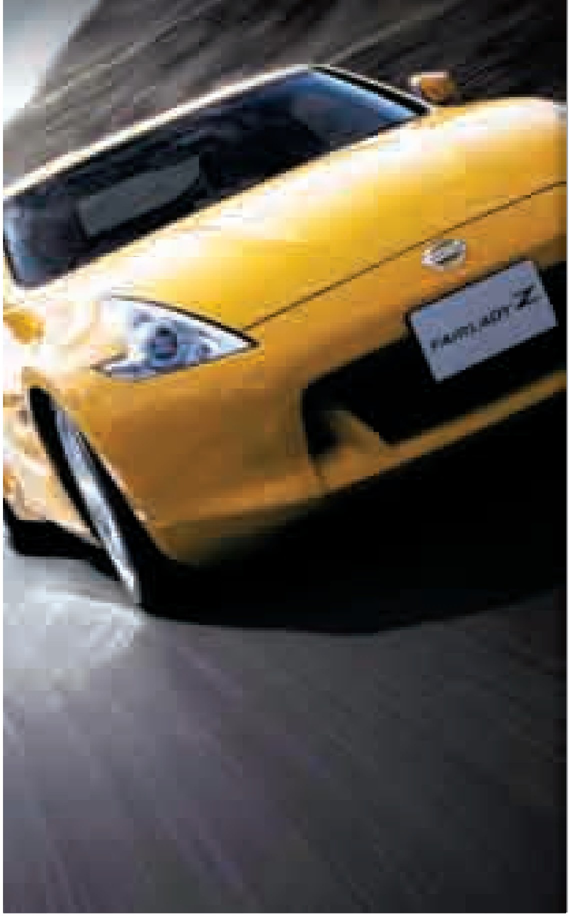
Operating Results

All major businesses of the Group recorded encouraging growth during the year under review, bringing to the Group a total turnover of HK$19,496 million, a rise of 21.5% against the previous year (2007: HK$16,050 million). Profit attributable to shareholders grew by 9.3% to HK$563 million compared to HK$515 million in 2007. Excluding non-operating items, such as net valuation loss/gain from investment properties, the Group's adjusted net profit from continuing operations for the year amounted to HK$566 million, representing a remarkable growth of 30.1% when compared to last year's HK$435 million. The adjusted net profit margin from continuing operations was 2.9% versus 2.7% in 2007. Basic earnings per share were 31.30 HK cents for the year. The Board of Directors proposed payment of a final dividend of 2.95 HK cents per share for the year ended 31 December 2008.

Motor and Motor Related Business

25.7%

Growth in Segment Turnover



BUSINESS REVIEW

Motor and Motor Related Business

Operating Results

The Motor and Motor Related Business recorded significant growth in 2008, reporting segment turnover of HK$12,790 million, a year-on-year increase of 25.7% (2007: HK$10,175 million). This business segment accounted for 65.6% of the Group's total turnover and remained as the largest revenue source for the Group (2007: 63.4%).

Motor Business

Mainland China

Despite the natural disasters in Mainland China and the global financial tsunami in 2008, the motor market in Mainland China continued to enjoy growth momentum and recorded a full year increase of 6.7% in total vehicle sales. Capitalising on the strong demand, the Group sold 23,556 vehicles in Mainland China and attained a better than market growth of 8.6%.

In the review period, the Group's Mainland China Motor Business achieved turnover of HK$7,085 million, a marked increase of 38.4% against the previous year. The increase was attributable to the outstanding sales of imported vehicles including *Bentley* and *Isuzu*; and the expanded motor dealership network. The Group continued to set up new 4S shops and secure new dealerships through wholly owned subsidiaries and joint ventures with strategic partners. New dealerships acquired included *Chevrolet, FAW Audi, FAW Toyota, Lexus* and *Mercedes-Benz*, and were operated in cities including Shenzhen, Jiangmen, Jiaxing, Zhongshan, Guangzhou and Foshan. Aiming to boost profitability, the Group continued to restructure its dealership portfolio by securing representation of more quality brands and improving after-sales service to car owners in Mainland China.

The Group operated 40 4S shops and represented 19 brands, such as *Bentley, BJ Hyundai, Bugatti, Chevrolet, DongFeng Honda, DongFeng Nissan, DongFeng Peugeot, FAW Audi, FAW Mazda, FAW Toyota, GZ Honda, GZ Toyota, Haima, Isuzu, Lexus, Mercedes Benz, Qingling, Renault* and *SGM Buick* in the market.

Hong Kong and Macao

The motor market in Hong Kong and Macao had robust growth in the first three quarters of 2008. Although sales slowed down towards the end of the year, the sales volume of the overall Hong Kong market was up by 7.1% when compared with the previous year.

DCH sold 12,273 vehicles in the Hong Kong market, a year-on-year increase of 13.3%. It outperformed the market by 6.2 percentage points and as a result it claimed an increased share of the new vehicle market in Hong Kong at 30.0%. Turnover from Hong Kong business amounted to HK$3,457 million for the review year (2007: HK$2,875 million).

The outstanding performance of the Group in the market was attributable to robust growth in sales of premium brands and environmental-friendly vehicles, including *Audi*, *Bentley* and *Honda*, with sales up by 34.8%, 36.7% and 22.6% respectively.

To foster customer loyalty, which is critical to a sustainable business growth, the Group worked constantly and tirelessly on improving the quality of its sales and after-sales service. An independent market survey done in 2008 on customer satisfaction in relation to services provided by major vehicle brands in Hong Kong found the three brands making the highest scores to be all distributed by DCH. The accreditation confirmed the strong customer recognition enjoyed by the Group for its services of excellent quality.

As at 31 December 2008, the Group had 13 showrooms in operation and held distribution rights for 10 vehicle brands such as *Acura*, *Audi*, *Bentley*, *Honda*, *Isuzu*, *MAN*, *Nissan*, *Opel*, *Saab* and *UD Nissan Diesel* in Hong Kong.

Overseas

Despite the challenging business environment, the Group remained a major player in respective overseas markets. In Singapore, it accounted for 19.5% of all commercial vehicle sales, and in North America, its *Acura* 4S dealership boasted sales the 5th highest in Canada.

Motor Related Business

As an integral part of the Group's motor business portfolio, Motor Related Business made progress and recorded satisfactory growth during the year, with turnover at HK$1,067 million, up by 18.2% year-on-year.

In Mainland China, riding on the joint venture ("JV") operation with COSCO, the Group expanded its motor leasing outlet network in Western Beijing and Tianjin. In addition, the Group was granted a motor leasing operation licence by the Shanghai Municipal Urban Communications Administration Bureau, marking an important milestone in the development of motor leasing business of the Group in Shanghai and Eastern China. The Group was also appointed the official transportation solutions provider for Olympics equestrian events in Hong Kong and other Olympics events in Beijing.

For the automotive parts and accessories business, the Group formed a JV with UMW, a listed company in Malaysia, for blending motor lubrication oil to serve the promising Mainland China market. The JV will build a lubrication oil blending plant in Xinhui with an output capacity of 50 million litres of lubricants a year at the initial stage. Construction of the plant will begin in 2009 and is expected to be completed by 2010.

On the environmental and engineering business front, the Group commenced delivery of diesel particulate filters to Hong Kong bus companies in 2008. The Group will supply more than 2,000 units of filters to clients by 2010, recognizing as one of the largest city bus diesel particulate filter retrofit programmes in the world.

Vehicle examination business has been a steady revenue contributor of the Group. In November 2008, the Group renewed the management contract for the New Kowloon Bay Vehicle Examination Centre with the Transport Department of the HKSAR Government. The centre is the only facility in Hong Kong that conducts annual vehicle examination for light to medium-weight commercial vehicles.

OUR SUCCESS STORY

BENTLEY IN MAINLAND CHINA: FROM OBLIVION TO FULL GLORY

DCH has taken Bentley from virtually unknown to claiming the top spot in the market, all in less than a decade. This testifies to its shrewd foresight and market knowledge, plus its exceptional abilities in automobile marketing, distribution and servicing.

Challenging Market Situation

When it started, the luxury car market in Mainland China was at best budding, but DCH envisioned a promising market on the back of a rising global economic powerhouse.

A decade ago, "Bentley" was not well known in the Mainland China market although the rest of the world knew it was the preferred ride of Queen Elizabeth II and the super-rich in developed countries. It also carried a price tag way beyond the means of even the more affluent among Chinese citizens at the time. To open the market for the super luxurious automobile brand in a vast developing market like Mainland China was a daunting task requiring effective strategies and distinctive competitive edges of the undertaker.

Creating Brand Awareness

Envisaged the enormous market potential for super luxurious automobile, DCH acquired the exclusive distributorship of Bentley in the Mainland China market in 2001. The Group chose the 2002 Beijing Motor Show to stage an impressive debut for Bentley and captured extraordinary awareness of the brand in the market. Being the largest international automobile event in Mainland China, the show was a perfect stage to display the unique and excellent attributes of Bentley to the market. Bentley stole the lime light in the show and became the talk-of-the-town, especially among the super-rich, when a specially crafted limited edition of the top-end Arnage Limousine, priced at RMB8.88 million, the most expensive automobile in display of the Motor Show, was declared available to the Mainland China market. From then on, the name "Bentley" has been synonymous with prestige and its ownership befits only the most premium in social status and richest in the country.

Communicating Brand Value

To reinforce the growing reputation of the brand, subsequent communication efforts of the Group highlighted the distinguished "Bentley" offers, including top-notch craftsmanship, unmatched made-to-order luxury features and exclusivity. Marketing messages for the brand were tailored around its heritage, its roots in British aristocracy to enthral the most successful and prominent in Mainland China. The touch of royalty that Bentley gives to customers is unique and cannot be found anywhere else.

Effective Distribution Network

To reach target customers in the shortest time, the Group set up 4 dedicated dealership points for Bentley in 2002 and since then has expanded presence of the brand to major cities including Beijing, Shanghai, Shenzhen and Guangzhou, the most prosperous cities in Mainland China. As of 2008, there are altogether 8 dealership points. Some of them are self-operated by the Group and others are joint ventures with reputable strategic partners, as well as, third party dealers who boast strong financial standing and good connection with target customers.

Supreme Dealership Management

The Group insists on providing excellent services, in terms of technical support and customer care that match the stature of the brand to complete the experience of supremacy for customers. The Group introduced a dealership improvement programme that encompasses quantitative criteria and measurement of achievements. It laid down service standards and provided brand, customer relations and sales-related training to staff. It also brought in "mystery shoppers" survey to assure consistent quality services are delivered to customers and the striving for continuous improvement mindset is embraced by the service teams.

Efforts Paying Off

It began nurturing the market for Bentley and planted the seed of desire for the super-luxury automobile in the hearts of Mainland car lovers, which it has continued to water over the years.

All these result-driven initiatives and customer-oriented measures, with full financial and technical backing from the DCH headquarters, have contributed to the success of Bentley – the "dream car" among automobile connoisseurs – in Mainland China. Since its arrival in the market in 2002, the brand has seen its sales grown in leaps and bounds. In 2008, with over 400 vehicles sold, it boasted market leadership in the super-luxury automobile market in Mainland China.

And, to make sure the brand has the strongest possible dealership support and its patrons have sales and after-sales service matching the calibre of the brand, DCH has worked persistently on building and strengthening its dealership and service infrastructure. All these forward-looking endeavours are bearing fruits today. Mainland China is today the fourth largest market in the world and the largest in Asia Pacific for Bentley. It is also the largest sales channel for the pinnacle products of the brand for the past seven years thanks to the concerted efforts of DCH, the manufacturer and their dealers.

Food and Consumer Products Business

14.3%

Growth in Segment Turnover

BUSINESS REVIEW

Food and Consumer Products Business

Operating Results

The Food and Consumer Products Business achieved a turnover of HK$6,428 million, an increase of 14.3% against last year's HK$5,626 million. This business segment accounted for 33.0% of the Group's total turnover (2007: 35.1%).

Mainland China

Although inflation during the year had posed notable pressure on overall consumption, turnover of the segment from Mainland China increased by 5.2% to HK$2,357 million, thanks to strong sales of food commodities and fast moving consumer goods ("FMCG").

In continuously growing demand, frozen foods achieved encouraging sales during the year. However, in the fourth quarter, the economic downturn became obvious and sales slowed down.

For FMCG, chocolate and confectionary products performed well and accounted for a significant portion of total sales. Imported milk powder was another category that performed well, helped by the growing concern over food safety among consumers. On the beverage side, *Pocari Sweat* enjoyed good sales momentum in Guangdong and a successful launch in Shanghai. A number of new agencies were added to the Group's product portfolio during the year including *Brand's Essence of Chicken* for Eastern China.

With the aim of enhancing its distribution network in Eastern China and enlarging its brand portfolio, the Group acquired Shanghai Sunny Life Enterprise ("Sunny Life") in Shanghai, a privately owned distributor. The acquisition will create synergies across distribution channels and different services in relation to the Group's products.

To expand presence in the premium imported foods market in Mainland China, the Group established a JV, Goodwell China Marketing Service Co., Ltd ("Goodwell China"), in November 2008. The new company will carry well known food brands including *ConAgra* and *Dairy Farmers*.

As for electrical appliances, professional audio products continued to generate satisfactory returns with the Group focusing on selling high-end quality brands.

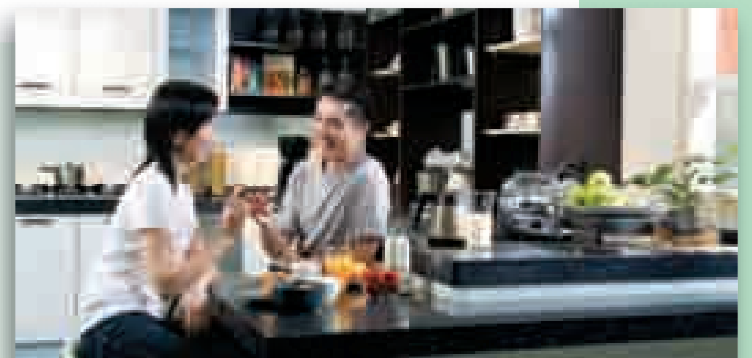
Hong Kong and Macao

The Food and Consumer Products Business in the market continued to report satisfactory growth when compared with the previous year. Turnover from the segment increased by 17.8% to HK$3,162 million.

The food commodities business, riding on its diverse product portfolio and extensive sales coverage, reported a solid growth for the year. Beef, poultry and seafood were the major growth contributors. In addition, leveraging on its strong global sourcing capability enabling it to match products to the changing needs and tastes of customers, the business has an edge over its competitors. Good growth was also recorded for edible oils despite their higher prices reflecting increasing international edible oil prices.

The key performers in the FMCG sector were beverages with *Pocari Sweat* and *Ovaltine* standing out, and confectionary with *Almond Roca* and soups with *Campbell's* reporting encouraging sales. Other brands that sold well included *Barilla, Avoset, Tulip* and *Soyjoy*. During the year, the Group secured the distributorship for *Heinz* baby food and *Mr Brown* coffee and enlarged its product portfolio.

To move upstream, the Group acquired Polyfood Food Service Co. Limited ("Polyfood") in September 2008. Polyfood is a manufacturing and food processing company specializing in western style delicatessen food in Hong Kong.



Polyfood is going to build a modern and HACCP-compliant food processing centre in Yuen Long, which will double its production capacity. The new facility is expected to begin operation in the fourth quarter of 2009 and will enable the Group to provide a wider range of products and more comprehensive services to customers.

On the retail front, the Group opened 14 new DCH Food Mart and DCH Food Mart Deluxe outlets during the year, bringing the total number of retail food outlets to 69, of which 12 carry the DCH Food Mart Deluxe banner and 57 the DCH Food Mart banner. Gross profit per square foot rose over 5.0% when compared with last year. The retail food business had chilled and frozen foods enjoying growing demand and help from the Group's global sourcing capability allowing it to modify product offerings to match changing consumer tastes.

Regarding sales of *Shiseido* cosmetics, growth was recorded as the Group increased the number of product offerings and increased standalone stores from 17 to 20 in Hong Kong and Macao during the year. Furthermore, the Group had new hair care brand *JOICO* and cosmetics brand *MAJOLICA MAJORCA* added to its prominent multi-brand portfolio.

The electrical appliances division achieved steady growth in sales during the year with items such as washing machines, refrigerators, audio and video products, and professional audio equipment contributing fair results.

Overseas

The food distribution operation performed well in Japan and the Singapore operation reported improvement in profit margin despite a slow down in sales.

In line with our strategy of moving upstream, the Group completed the acquisition of Guangdong Victory Electrical Appliances Manufacturing Co., Ltd. ("GDVTR") in August 2008 and a new management team has taken over operation of the company since October 2008. The team is responsible for supervising operations and improving the profitability of the company by tightening control on costs through more careful material planning and purchase and negotiating for better selling price with customers, who are mainly in the European market. The performance of the company has improved since then, but high material cost, RMB appreciation, increased labour cost and the global financial tsunami in the last quarter of 2008 leading to reduced orders from customers and increased provision for doubtful debts have affected the full-year results of GDVTR in 2008.

Logistics Business

10.2%

Growth in Segment Turnover

BUSINESS REVIEW

Logistics Business

Operating Results

Logistics operation accounted for 1.0% of the Group turnover in 2008. Total sales from this segment for the year was HK$194 million, representing a slight increase of 10.2%, and segment results were HK$17 million which remained the same as last year.

During the year, the Group refined the customer portfolio of the business and continued to invest in infrastructure to support development of the business in the long run. With the different infrastructure gradually taking shape, the Group expects its logistics arm to bring more significant contribution from 2009 onward.

Mainland China

The Group strategically shifted the focus of its logistics operation in Mainland China during the year from lower margin but high volume business to businesses that promise higher profit margin in the coming year. The Group believes the move is conducive to boosting the profitability and overall growth of the business in Mainland China in the future.

The Group has been expanding its logistics facilities including construction of additional facilities for the import and export bonded warehouses and a cold storage facility in Xinhui, scheduled to begin operation in the third and fourth quarter of 2009 respectively. The new import and export bonded warehouses facilities are designed to offer world-standard services, including vendor management inventory ("VMI").

Hong Kong and Macao

The business reported growth in the market for the year exceeding that in 2007, thanks to the stable demand for logistics services in Macao and the resilient Hong Kong market. The Group is confident that its Yuen Long Logistics Centre, which commences operation in phases starting from the first quarter of 2009, will attract new business. The new facility will enhance the Group's competitiveness in a market where cost effectiveness, efficiency and superior customer service are valued.

Motor and Motor Related Business

In the coming year, the business segment will continue to be impacted by the general economic downturn. However, in Mainland China, with the Chinese Government taking firm steps to boost internal consumption and maintain an 8% GDP growth, the Group is of the view that the China vehicle market will be stable in 2009 and back on the growth track afterwards. In Hong Kong, a market highly sensitive to external influences, the Group will take a prudent approach in assessing market demand in 2009.

In Mainland China, the motor industry is expected to consolidate and that will open potential M&A opportunities for the Group to strengthen existing dealerships. Heeding the economic and financial conditions, the Group will continue to expand its 4S dealership network for quality brands through M&A and greenfield projects. It has scheduled to set up two more *Lexus* 4S shops in Shanghai and Ningbo by year end. It will also focus on enhancing the profitability, operational efficiency and the management and service quality of existing shops in its sizeable dealership organization in Mainland China.

In Hong Kong, slow down of the vehicle business is expected. The Group will take a prudent approach in running the business, including imposing tighter control on inventories, improving after-sales incomes and introducing new vehicle models, in particular, environmental friendly vehicles to boost market demands.

In overseas markets, the Group sees its dealership business under persistent challenge from the poor global economic environment. On top of sustaining its market position and profitability, the Group will also look for opportunities to expand income, such as developing new dealerships and motor related businesses in different markets.

For its Motor Related Business, the Group will keep expanding the motor leasing business network in Mainland China. The new operation in Shanghai, which is expected to commence in mid-2009, will not only give the Group a foothold in the motor leasing market in Eastern China, but will also bring synergies to the motor business of the Group. The Group will continue to develop its used car operation, expand its statutory annual vehicle examination market share, explore new vehicle accessories and other new car related businesses in both Hong Kong and Mainland China.

Food and Consumer Products Business

With food products being daily necessities and we constantly fine tune product portfolio to meet market demand, the segment is expected to deliver relatively stable performance. The Group will continue to invest in the segment notwithstanding the worsening economic situation. For food commodities, the Group will seek to exploit those growth drivers that reported success in 2008. With consumers becoming more concerned about food safety, demand for imported foods is expected to increase. This trend will work in favour of the Group which is recognized for distributing high quality imported food products.

The acquisition of Polyfood and establishment of the Yuen Long new processing centre will enhance the competitive edge of the Group for expanding its food business upstream into food manufacturing in terms of capacity and capability in offering a wider range of products to customers in the processed food market with untapped potential.

FMCG business, strengthened with the addition of the new subsidiaries Sunny Life and Goodwell China, is expected to continue on the growth trend and gain more prominent presence in the Mainland China market, and by boosting the segment's customer base, product portfolio and distribution network, raise the competitiveness of the Group.

The Group will open more DCH Food Mart and DCH Food Mart Deluxe outlets in Hong Kong, taking advantage of the more favourable rental terms offered by landlords, to continue to expand its retail food business. Also, the Group will continue to refine its retail food product mix to accommodate changing customer needs amid the economic downturn.

The Group also expects challenges for its cosmetics business as competition intensifies in the tough market environment. However, with plans to launch a series of aggressive advertising and promotion campaigns, the Group believes it will be able to enhance the Group's business in the cosmetics market.

In Japan and Singapore, the Group will put more efforts into enriching the product ranges and adjusting product mix so as to stay competitive in the food market in the challenging economic climate.

For GDVTR, our small home electrical appliances manufacturer in Shunde, the global financial crisis and the consequential economic recession in the United States and Europe will bring adverse impacts in 2009. Heeding this, the new management team of GDVTR has stepped up actions including tightening cost control, implementing lean manufacturing and developing new customers and new markets so as to improve profitability.

Logistics Business

The Group will continue to pursue the goal of becoming a leading one-stop third party logistics service provider in the Pearl River Delta region. In addition to offering conventional logistics services, the Group will expand its service range to cover areas like bonded warehousing, bonded repackaging, further processing, freight consolidation and forwarding. The move will help to boost the Group's capabilities and competitiveness in providing logistics services to third party customers. With the expanded capacity of the bonded warehouse and the cold storage facility in Xinhui to be available in the third and fourth quarter of 2009, the Group will have added strengths to deliver even more reliable and effective services to customers.

In Hong Kong, the new Logistics Centre in Yuen Long is capable of providing multi-temperature logistics and value-added services for a broad range of food and non-food products. In Macao, the warehouse being renovated and expanded, and the total supply chain value added service being developed will allow the Group to better serve customers in the gaming and hotel sectors.

FINANCIAL REVIEW

Introduction

The Group's 2008 Annual Report includes a letter from the Chairman to shareholders, the financial statements and other information required by accounting standards, legislation, and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. This Financial Review is designed to assist the reader in understanding the Group's financial information by discussing the contribution of each business segment and the financial position of the Group as a whole.

Turnover

Turnover in 2008 increased by 21.5% from HK$16,050 million to HK$19,496 million as compared with 2007, which was mainly attributable to the followings:

- Motor and Motor Related Business

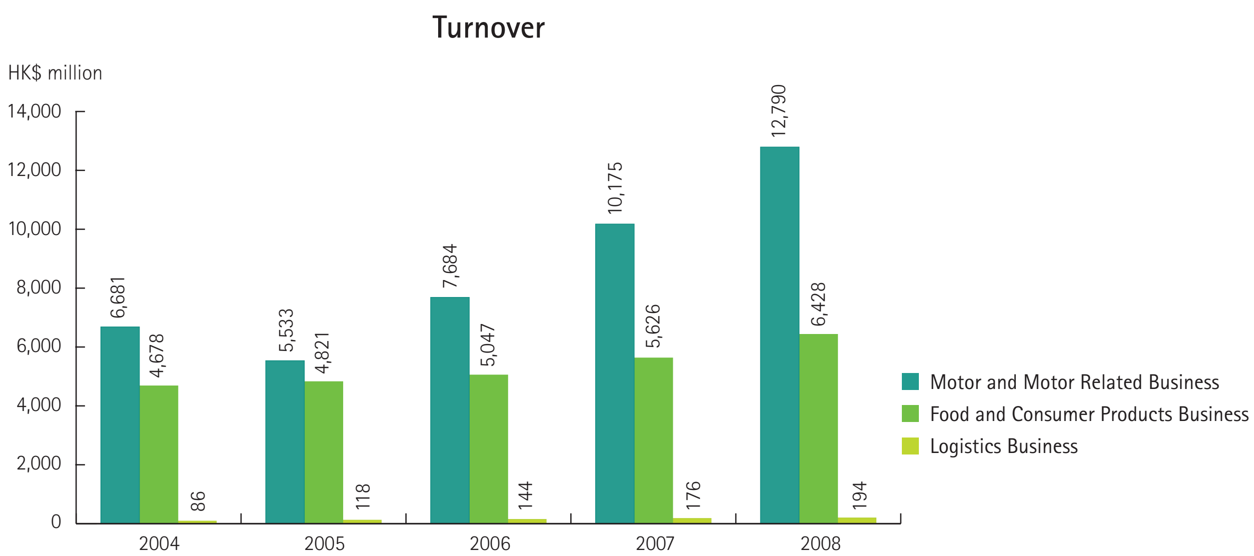
  The turnover of Motor and Motor Related Business increased by 25.7% from HK$10,175 million to HK$12,790 million. The increase was mainly attributable to strong demand of imported vehicles, expanded car dealership network, and new dealerships acquired in Mainland China. In Hong Kong and Macao, the Group also demonstrated outstanding performance in the market in particular sales of premium brands and environmental-friendly vehicles.

- Food and Consumer Products Business

  The turnover of Food and Consumer Products Business increased by 14.3% from HK$5,626 million to HK$6,428 million. The increase was mainly due to encouraging sales growth in food commodities in particular poultry, seafood and beef, and increase in sales for key brands of FMCG in both Hong Kong and Mainland China market.

- Logistics Business

  The turnover of Logistics Business grew steadily by 10.2% from HK$176 million in 2007 to HK$194 million in 2008.



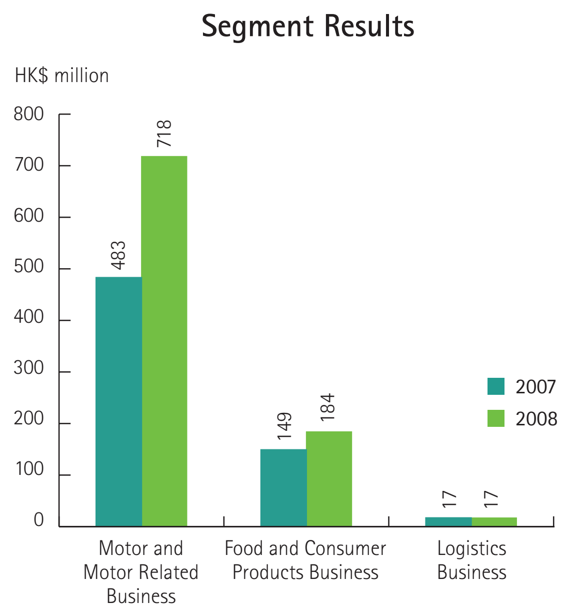
Business Segment Results

The segment results by major businesses in 2008, compared with 2007, were as follows:

HK$ million	2008	2007	Change
Motor and Motor Related Business	**718**	483	235
Food and Consumer Products Business	**184**	149	35
Logistics Business	**17**	17	-

Note: Business segment results represent profit before taxation from each business operation without absorbing finance costs and unallocated operating income and expenses, and excluding share of profits less losses of associates and jointly controlled entities as well as net valuation gain/(loss) on investment properties.

Comparing the business segment results of 2008 with 2007:



- Motor and Motor Related Business

  Segment results increased significantly by 48.7% to HK$718 million due to the increase in sales of motor vehicles, in particular premium brands and environmental – friendly vehicles, and expansion of motor related business in both Mainland China and Hong Kong market.

- Food and Consumer Products Business

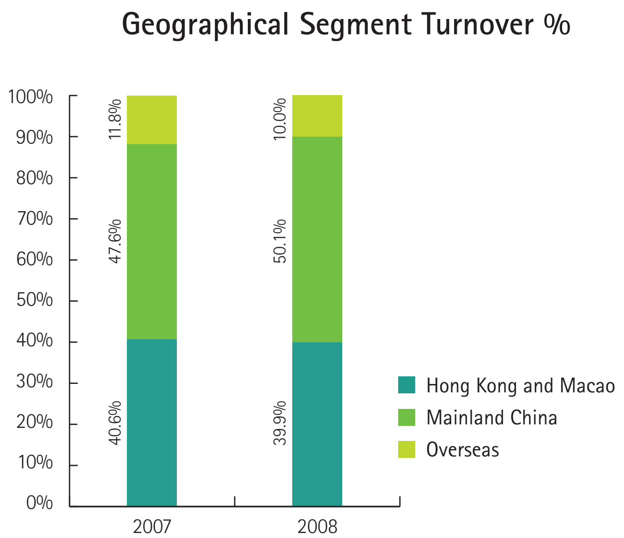
  Segment results increased significantly by 23.5% to HK$184 million due to encouraging sales growth in food commodities in particular frozen food and edible oils and FMCG in Hong Kong market.

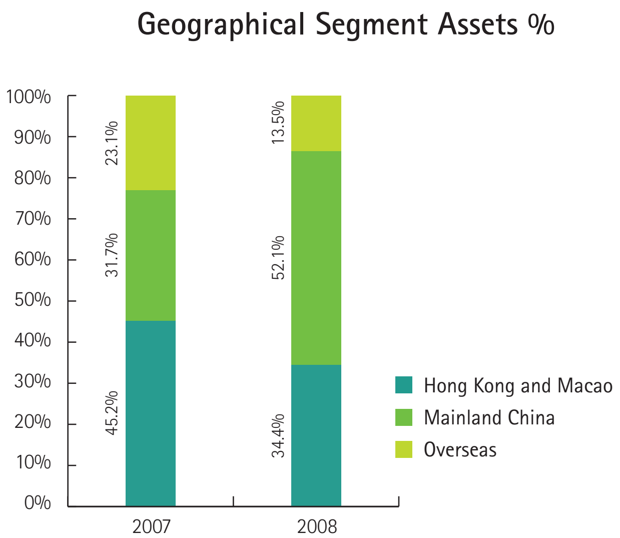
- Logistics Business

  Segment results remained stable at HK$17 million. The Group continued to invest in infrastructure to support development of the business in both Mainland China and Hong Kong. It is expected that the expanded facilities will boost the Group's competitiveness in the market and to improve the profitability from this segment in future.

Geographical Segment

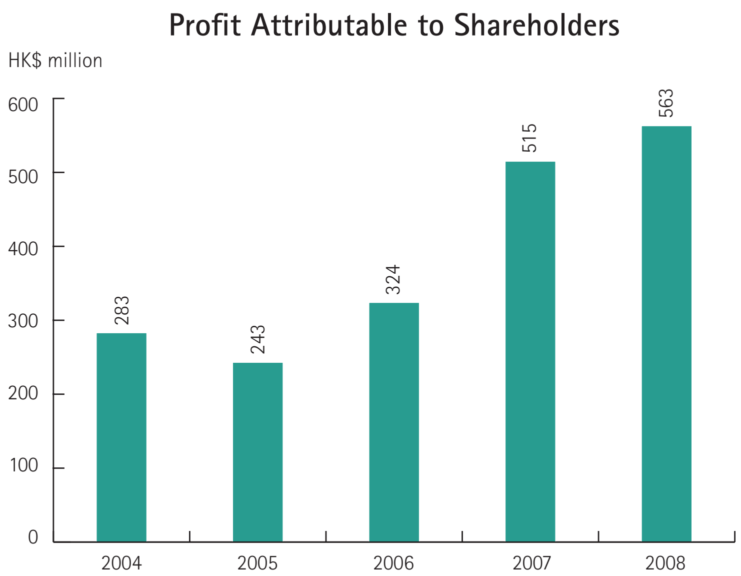
The distribution of turnover and assets among Hong Kong and Macao, Mainland China and overseas are shown below. Segment turnover is based on the geographical location of the customers. Segment assets are based on location of the assets.





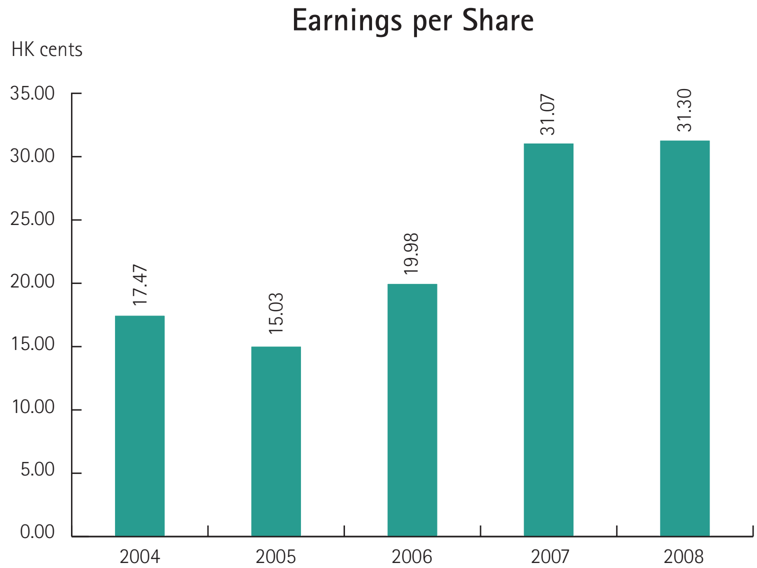
Profit Attributable to Shareholders

The profit attributable to shareholders of the Company for the year ended 31 December 2008 was HK$563 million, an increase of 9.3% as compared with HK$515 million in 2007.



Earnings per Share

The calculation of earnings per share is based on the profit attributable to shareholders of the Company and the weighted average of 1,798,610,109 ordinary shares (2007: 1,657,479,452 ordinary shares, 2006, 2005 and 2004: 1,620,000,000 ordinary shares after adjusting for the capitalisation issue in 2007). Earnings per share was 31.30 HK cents for 2008, an increase of 0.7% as compared with 31.07 HK cents of 2007. The increase in earnings per share was mainly attributable to the increase in profit.



Dividend per Share

An interim dividend of 6.43 HK cents per share was declared and paid for 2008. The Board of Directors proposed payment of a final dividend of 2.95 HK cents per share for the year ended 31 December 2008.

Finance Costs

The Group's finance costs increased by 116.4% from HK$61 million in 2007 to HK$132 million in 2008 mainly due to additional borrowings to finance business expansion in both Mainland China and Hong Kong.

Income Tax

Income tax increased by 15.2% from HK$165 million to HK$190 million mainly due to the increase in profit from operations in particular profit from Mainland China.

Shareholders' Funds per Share

The calculation of shareholders' funds per share is based on the total equity attributable to shareholders of the Company of HK$4,865 million and the total of 1,798 million shares issued at year end of 2008. Shareholders' funds per share at 31 December 2008 was HK$2.71 (31 December 2007: HK$2.38 for 1,800 million shares).

Capital Expenditure

In 2008, the Group's capital expenditure was HK$480 million and major usages were summarised as follows:

Motor and Motor Related Business:	For developing new city dealerships in Mainland China and renewal of motor leasing fleet in Hong Kong
Food and Consumer Products Business:	Fixtures and fittings
Logistics Business:	For construction of logistics centres in Mainland China and Hong Kong
Others:	Properties, fixture and fittings

HK$ million	**2008**	2007	Change
Motor and Motor Related Business	**202**	223	(21)
Food and Consumer Products Business	**52**	28	24
Logistics Business	**118**	101	17
Others	**108**	9	99
Total	**480**	361	119

Use of Proceeds

The net proceeds of the Global Offering of the Group on 17 October 2007 amounted to approximately HK$1,003 million. Up to the end of December 2008, HK$429 million was used by Motor and Motor Related Business for investment and acquisition of 4S shops in Mainland China, HK$73 million was used by Food and Consumer Products Business for investment in new businesses and new shops for foodmart, HK$169 million was used by Logistics Business for development of logistics centres in Mainland China and Hong Kong, and HK$40 million was used as funding for general working capital and general corporate uses.

Treasury Policy and Risk Management

General policies

The Group remains committed to a high degree of financial control, a prudent risk management and the best utilisation of financial resources.

Cash management and financing activities of operating entities in Hong Kong are centralised at head office level to facilitate control and efficiency.

Operating entities outside Hong Kong are responsible for their own cash management and risk management which are closely monitored by the head office. Overseas financing activities are reviewed and approved by the head office before execution.

Foreign Currency Exposure

For bank borrowings, functional currency of each operating entity is generally matched with its liabilities. Given this, management does not expect any significant foreign currency risk for the Group in association with borrowings.

The Group enters into foreign exchange contracts primarily for hedging its sales and purchases that are denominated in currencies other than the functional currency of its operations. As at 31 December 2008, the Group recognised foreign exchange forward contracts with a fair value of HK$4 million liability (2007: HK$12 million asset).

Interest Rate Exposure

The Group's long term bank borrowings are on a floating rate basis.

The Group had entered into a number of interest rate swaps with a notional contract amount of HK$300 million in July 2008 to reduce the impact of interest rate fluctuation on its unsecured bank borrowings.

Employment of Derivative Products

The Group has made use of derivative products to hedge its interest rate and foreign currency exposures. Derivative products are for hedging purpose only and speculative trading is strictly prohibited. Counterparties' credit risks are carefully reviewed and the Group only deals with financial institutions with investment grade credit rating.

Cash Flow

Summary of Consolidated Cash Flow Statement

HK$ million	**2008**	2007	Change
Net cash generated from operating activities	**393**	173	220
Net cash (used in)/generated from investing activities	**(671)**	61	(732)
Net cash generated from financing activities	**149**	590	(441)
Net (decrease)/increase in cash and cash equivalents	**(129)**	824	(953)

Net cash generated from operating activities

Net cash generated from operating activities was HK$393 million in 2008 as compared to HK$173 million in 2007. The increase was mainly due to increase in operating profit before changes in working capital and less cash utilised to finance the increase in working capital.

Net cash (used in)/generated from investing activities

Net cash used in investing activities was HK$671 million in 2008 as compared to net cash generated from investing activities of HK$61 million in 2007. The increase in net cash used in investing activities in 2008 was primarily due to increase in payment for purchase of fixed assets and acquisition of subsidiaries.

Net cash generated from financing activities

Net cash generated from financing activities was HK$149 million in 2008 as compared to HK$590 million in 2007. In 2008, net proceeds from bank loans was HK$368 million, which was partially offset by dividend payment of HK$154 million and interest payment of HK$132 million. Net cash generated from financing activities in 2007 included the net proceeds from bank loans of HK$1,028 million and the net proceeds from the global offering of HK$1,003 million, which were partially offset by a HK$900 million interim dividend, repayment of HK$514 million to CITIC Pacific and interest payment of HK$61 million.

Group Debt and Liquidity

The financial position of the Group as at 31 December 2008, as compared to 31 December 2007, is summarised as follows:

HK$ million	**2008**	2007	Change
Total debt	**2,909**	1,947	962
Cash and bank deposits	**1,643**	1,653	(10)
Net debt	**1,266**	294	972

The original denomination of the Group's borrowings as well as cash and deposit balances by currencies as at 31 December 2008 is summarised as follows:

HK$ million equivalent	HKD	RMB	JPY	USD	CAD	SGD	Others	Total
Total debt	582	2,149	56	51	43	28	-	2,909
Cash and bank deposits	481	837	198	67	6	38	16	1,643
Net debt / (cash)	101	1,312	(142)	(16)	37	(10)	(16)	1,266

Leverage

The Group closely monitors its gearing ratio to optimise its capital structure so as to ensure solvency and the Group's ability to continue as a going concern.

As at 31 December 2008, the Group's gearing ratio was 20.6%, as compared to 6.4% at 31 December 2007.

HK$ million	**2008**	2007	Change
Net debt	**1,266**	294	972
Shareholders' funds	**4,865**	4,282	583
Total capital	**6,131**	4,576	1,555
Gearing ratio	**20.6%**	6.4%	14.2%

Total debt increased in 2008 mainly due to finance business expansions in Mainland China. The effective interest rate of the Group's borrowings as at 31 December 2008 was 5.6% as compared to 5.1% as at 31 December 2007.

Maturity Profile of Outstanding Debt

The Group manages its debt maturity profile actively based on its cash flow and refinancing ability during debt maturity.

	HK$ million	% of total
Maturity within 1 year	2,389	82%
Maturity 1-2 years	520	18%
Total	2,909	100%

Available Sources of Financing

In addition to cash and bank deposits of HK$1,643 million as at 31 December 2008, the Group had undrawn available loan facilities totalling HK$1,346 million, of which HK$200 million was committed long term loans and HK$1,146 million was money market lines. It also had available trade facilities amounting to HK$2,985 million. Borrowings by sources of financing as at 31 December 2008 is summarised as follows:

HK$ million	Total	Utilised	Available
Committed Facilities:			
Term Loans and Revolving Loans	**750**	550	200
Uncommitted Facilities:			
Money Market Lines	**3,335**	2,189	1,146
Trading Facilities	**4,406**	1,421	2,985

Pledged Assets

As at 31 December 2008, the Group's assets of HK$609 million (31 December 2007: HK$391 million) were pledged in relation to financing of discounted bills in Japan, leasing of vehicles in Canada, issuance of bank acceptance drafts in PRC, and the mortgage of land and buildings and inventories upon the acquisition of subsidiaries in PRC.

Capital commitments

Capital commitments outstanding at 31 December 2008 not provided for in the financial statements were as follows:

HK$ million	2008	2007	Change
Contracted for			
Capital expenditure	**50**	13	37
Investment in an associate	**51**	-	51
At 31 December	**101**	13	88
Authorised but not contracted for			
Capital expenditure	**249**	232	17
Others	**14**	-	14
At 31 December	**263**	232	31

Contingent Liabilities

The Group did not have any material contingent liabilities at 31 December 2008. As at 31 December 2007, the Group has issued guarantees of HK$51 million to banks in respect of banking facilities of HK$45 million granted to and utilised by an associate.

Loan Covenants

Major financial covenants for the committed banking facilities are as follows:

Shareholders' funds	> or = HK$2,500 million
Net debt	< Shareholders' funds
Current assets	> Current liabilities

As at 31 December 2008, the Group had complied with all of the above covenants.

FIVE YEAR SUMMARY

At year end (HK$ million)	**2008**	2007	2006	2005	2004
Shareholders' funds	**4,865**	4,282	3,655	3,374	3,361
Debt					
Total debt	**2,909**	1,947	863	783	516
Cash and bank deposits	**1,643**	1,653	742	531	588
Net debt / (cash)	**1,266**	294	121	252	(72)
Gearing ratio	**20.6%**	6.4%	3.2%	6.9%	-2.2%
Interest cover (times)	**8**	15	14	19	24
Total capital	**6,131**	4,576	3,776	3,626	3,289
Capital employed	**7,774**	6,229	4,518	4,157	3,877
Property, plant and equipment	**1,634**	810	665	539	572
Investment properties	**910**	786	707	587	527
Lease prepayments	**270**	160	67	22	21
Interest in jointly controlled entities	**234**	165	160	108	137
Interest in associates	**148**	138	112	106	89
Other financial assets	**5**	37	156	82	73

For the year (HK$ million)	**2008**	2007	2006	2005	2004
Profit attributable to shareholders	**563**	515	324	243	283
Earnings per share (HK cents)	**31.30**	31.07	19.98	15.03	17.47
Net valuation (loss)/gain on investment properties	**(3)**	127	112	77	57
EBITDA	**1,093**	914	614	495	499
Dividends per share (post-IPO)	**HK cents**	HK cents			
Interim	**6.43**	N/A	N/A	N/A	N/A
Final	**2.95**	2.13 Note 1	N/A	N/A	N/A

Note 1:
The level of dividend was recommended with reference to the net profits of the Group, apportioned to the period from 17 October 2007 (the date when the Company became listed in The Stock Exchange of Hong Kong Limited) to 31 December 2007.

Note 2:
The results of the Group for the years ended 31 December 2004 and 2005 and the consolidated balance sheet as at 31 December 2004 and 2005 have been prepared using the merger accounting and are extracted from the Company's prospectus dated 4 October 2007.

FIVE YEAR KEY OPERATION DATA

Total number of new vehicle sold by DCH in Mainland China, Hong Kong and Macao

Location \ Year	**2008**	2007	2006	2005	2004
Mainland China	**23,556**	21,699	17,528	9,409	12,527
Hong Kong	**12,273**	10,836	8,945	8,816	8,141
Macao	**1,485**	1,535	847	623	329
Total	**37,314**	34,070	27,320	18,848	20,997

Total number of 4S shops in Mainland China

Year	**2008**	2007	2006	2005	2004
4S shops	**40**	30	23	17	12

Total number of motor vehicle showrooms in Hong Kong

Year	**2008**	2007	2006	2005	2004
Motor vehicle showrooms	**13**	14	14	14	14

Total number of DCH food retail outlets in Hong Kong

Year	**2008**	2007	2006	2005	2004
DCH Food Mart	**57**	50	51	49	48
DCH Food Mart Deluxe	**12**	5	–	–	–
Total	**69**	55	51	49	48

HUMAN RESOURCES

As at the end of December 2008, the Group employed a total of 11,982 employees (2007: 8,141 employees).

The increase in employees was mainly from Mainland China and from the acquisition of new businesses during the year. Employees in Mainland China increased to 7,562 (2007: 4,108 employees).

Human Resources Management

The Group continues its efforts as an equal opportunity employer. It adheres to non-discriminatory employment programs and practices as well as respects individual rights. It also strives to administer a fair and consistent human resources management policy to the mutual benefit of the Group and its employees.

The Group upholds a high standard of business ethics and personal conduct of its employees. Every employee of the Group is required to strictly follow the Code of Conduct which covers the ethical and professional standards in conducting business, and all heads of business units are charged with the responsibility of disseminating these requirements to the employees concerned. To ensure the proper enforcement of the Code of Conduct, the Group requires all business units to report the compliance with the Code on a semi-annual basis. The Group also implements a whistle blowing policy to enable management and employees collaborate to uncover non-compliant practices.

Employee Compensation

The Group aims to attract, retain and motivate employees who have the relevant skills, knowledge and competence to develop, support and sustain the continued success of the Group.

The Group's compensation strategy is to cultivate a pay-for-position as well as a pay-for-performance culture to motivate and reward employee performance that will lead to the long-term enhancement of the overall capability of the Group. Employees' cash compensation typically comprises a base salary linked to the responsibility of the position and a discretionary performance bonus linked to the Group's results and individual's performance.

On an annual basis, the Group reviews the cash compensation and benefit programs provided for its employees to ensure that the total compensation is internally equitable, externally competitive, as well as in support of the Group's business strategy.

Remuneration Committee

Compensation of Executive Directors and Senior Management are monitored by the Remuneration Committee.

The Remuneration Committee was established in September 2007, comprising of three Independent Non-Executive Directors. The chairman of this committee is Mr. Adolf Hsu.

The principle role of the committee is to exercise the powers of the Board to determine and review the compensation packages of individual executive directors and senior management so as to align their compensation with shareholders' interests.

Training and Development

The Group is committed to enhancing the capability of its employees in accordance with the needs of the business and the individuals. This is achieved through organizing need-based in-house programs as well as sponsoring the participation in external programs. During the year, The Group has also introduced a number of internationally renowned training courses to enhance the competence of managerial staff. The Group has also strengthened its programs in raising the awareness and commitment towards corporate governance and compliance.

With the growing cross-border business activities between Hong Kong and Mainland China, the Group also actively encourages and promotes business integration, knowledge sharing and skills transfer between employees in the two territories.

The Group also invests in internship and traineeship programs to identify and develop talent to meet its future manpower needs.

Employee Relations

The Group also strenuously promote communication with employees and enrich their work and personal lives. Information about the Group is regularly communicated to the employees through newsletters and the Company intranet. On the other hand, employees' feedback and opinion are sought through various levels of communication meetings. On the social and recreational activities, the Employee Wellness Committee is charged with the responsibility to organize them for the enjoyment and relaxation of the employees. These activities also serve the purpose of promoting sense of belonging and bonding among employees.

IN THE COMMUNITY

Caring Company

The Group honours its corporate social responsibility and contributes to the betterment of the community through different endeavours. One of the major initiatives of the company is to encourage employees take part in voluntary community service. The Group launched a DCH Community Support Programme offering a platform for employees to help the needy in the community. In 2008, staff of the Group provided an estimated 3,000 hours of voluntary service in all to support different community projects. "Dreams Come True" was one of the successful volunteer programmes for the elderly presented jointly by the Group with the YMCA in 2008.

In the aspect of employee care, the Group rolled out a Children Education Scholarship that recognizes the outstanding academic achievements of the children of our employees. The scheme received good response from employees and the Group also honoured other obligations required of a Caring Company[(1)].

Charitable Work

In 2008, the Group actively took part in charitable work in Hong Kong, Mainland China and overseas. Donations were made through various charitable organizations, like the Community Chest of Hong Kong, Oxfam, UNICEF, LEAP, Hong Chi Association, etc., and some of them were joint contributions with customers of DCH.

The Group and its employees in Hong Kong and Mainland China quickly raised donations to help victims of the catastrophic earthquake that hit Sichuan and its vicinity on 12 May 2008. Two brand new Audi vehicles were donated for auction to raise money to support rescue and relief work.

To help take care of those living in poverty, the Group continued to support the Food Bank in Hong Kong[(2)]. DCH has been contributing to the meaningful cause since 2007.

Community Well-being

As an effort to support economic development, DCH has been participating in the apprenticeship scheme organized by the Vocational Training Council of Hong Kong in the past few decades by providing on-the-job practical training to automobile servicing apprentices. In the report year, the apprentices of the Group achieved outstanding performance and won all the top awards in the Best Apprenticeship Competition of Hong Kong. This achievement is not only a reward for the Group for its dedication to the betterment of community well-being, but also testified to the professional standard of DCH's apprentice orientation programme.

Notes: (1) "Caring Company" is a scheme conceived by the Hong Kong Council of Social Services to recognize organisations which demonstrate good corporate citizenship. DCH has been a recognized Caring Company since inauguration in 2002.

(2) The Food Bank refers to Kwun Tong Methodist Social Service Centre.

CORPORATE GOVERNANCE

Corporate Governance Practices

The Company is committed to ensuring high standards of corporate governance and first class business practices. The Board believes that good corporate governance practices are increasingly important for maintaining and promoting investor confidence. Corporate governance requirements keep changing, therefore the Board reviews its corporate governance practices to ensure that they meet stakeholders' expectations, comply with legal and professional standards and reflect the latest local and international developments. The Board will continue to commit itself to achieving a high quality of corporate governance.

Throughout the year 2008, the Company has applied the principles of and complied with all the Code Provisions of the Code of Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The manners in which the principles are applied are explained in the following parts of the Corporate Governance Report.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in Appendix 10 of the Listing Rules. All directors of the Company have fully complied with the required standard set out in the Model Code throughout the year 2008.

Board of Directors

The Board currently comprises seven executive and six non-executive directors of whom three are independent as described in the Listing Rules (the biographies of the directors are set out on pages 45 to 47). Independent non-executive directors are about one-quarter and the non-executive directors are nearly half of the Board.

Under the Company's New Articles of Association, every director including the non-executive director is subject to retirement by rotation at least once every three years. One-third of the directors must retire from office at each annual general meeting and their re-election is subject to a vote of shareholders.

The Board determines the overall strategies, monitors and controls operating and financial performance and sets appropriate policies to manage risks in pursuit of the Group's strategic objectives. Day-to-day management of the Group's businesses is delegated to the executive director or officer in charge of each division. The functions and power that are so delegated are reviewed periodically to ensure that they remain appropriate. Matters reserved for the Board are those affecting the Group's overall strategic policies, finances and shareholders including financial statements, dividend policy, significant changes in accounting policy, material contracts and major investments. All board members have separate and independent access to the Group's senior management to fulfill their duties. They also have full and timely access to relevant information about the Group and are kept abreast of the conduct, business activities and development of the Group. Independent professional advice can be sought at the Group's expense upon their request.

The Board meets regularly to review the financial and operating performance of the Group and its business units, and approves future strategy. The Company had held four full board meetings in 2008. Individual attendance of each director at the board meetings, the Audit Committee meetings and the Remuneration Committee meetings during the year 2008 is set out below:

	Attendance/Number of Meetings		
Directors	**Board**	**Audit Committee**	**Remuneration Committee**
Executive Directors			
Mr Hui Ying Bun – *Chairman*	4/4		
Mr Chu Hon Fai – *Deputy Chairman*	4/4		
Mr Yip Moon Tong – *Chief Executive Officer*	4/4		
Mr Mak Kwing Tim	4/4		
Mr Lau Sei Keung	4/4		
Mr Tsoi Tai Kwan, Arthur	4/4		
Mr Glenn Robert Sturrock Smith	4/4		
Mr Chan Kin Man, Andrew (resigned on 16 July 2008)	2/2		
Non-executive Directors			
Mr Ho Hau Hay, Hamilton	4/4		
Ms Chan Chui Sheung, Stella	4/4		
Mr Kwok Man Leung	4/4		
Mr Chau Chi Yin (resigned on 20 October 2008)	3/3		
Independent Non-executive Directors			
Mr Cheung Kin Piu, Valiant *(Chairman of the Audit Committee)*	4/4	3/3	1/2
Mr Hsu Hsung, Adolf *(Chairman of the Remuneration Committee)*	4/4	3/3	2/2
Professor Yeung Yue Man	4/4	3/3	2/2

Non-competition Undertaking

CITIC Pacific Limited has executed a Non-competition Undertaking dated 28 September 2007 in favour of the Company to the effect that at any time during which the shares of the Company are listed on the Stock Exchange and CITIC Pacific Limited and/or its associates are regarded as a controlling shareholder of the Company under the Listing Rules, (i) CITIC Pacific Limited will not engage and will procure its subsidiaries (excluding CITIC 1616 Holdings Limited, the Company and their respective subsidiaries) not to engage in business that may compete with the Group, and (ii) in the event that any opportunity is made available to CITIC Pacific Limited to invest in any independent third party's business engaging in activities carried out by the Group, CITIC Pacific Limited will use its best efforts to procure that such investment opportunity is offered to the Group and the Group shall have a first right of refusal.

CITIC Pacific Limited has reviewed the business of its group (excluding CITIC 1616 Holdings Limited, the Company and their respective subsidiaries) and advised that during the year 2008, their business did not compete with the Group and there was no opportunity made available to CITIC Pacific Limited to invest in any independent third party which was engaged in the same business as that of the Group. CITIC Pacific Limited has given a written confirmation to the Company that it has fully complied with the terms of the Non-competition Undertaking. The Independent Non-executive Directors of the Company have reviewed the confirmation and concluded that CITIC Pacific Limited has made the compliance.

Chairman and Chief Executive Officer

The Group has appointed a Chairman, Mr Hui Ying Bun, and a Chief Executive Officer, Mr Yip Moon Tong. The roles of the Chairman and the Chief Executive Officer are segregated. The Chairman is responsible for overseeing the strategic and operational decisions of the business of the Group. The Chief Executive Officer is responsible for the day-to-day management of the Group's business. Their respective roles and responsibilities are set out in writing which has been approved and adopted by the Board.

Remuneration of Directors

The Remuneration Committee, established in September 2007, has clear terms of reference and is accountable to the Board. The terms of reference of the Remuneration Committee can be found in the Group's website (www.dch.com.hk). The principal role and functions of the committee is to exercise the powers of the Board to determine and review the remuneration packages of individual executive directors and senior management, including salaries, bonuses, benefits in kind and the terms on which they participate in any share option and other plans considering factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors and senior management, employment conditions elsewhere in the Group and desirability of performance-based remuneration so as to align management incentives with shareholder interests.

During the year 2008, the Remuneration Committee held two meetings to review the remuneration policies and approve the salary and bonus of the executive directors and senior management. No executive director has taken part in any discussion about his own remuneration. All committee members are independent non-executive directors of the Company. Its members comprise:

Mr Hsu Hsung, Adolf – *Chairman*
Mr Cheung Kin Piu, Valiant
Professor Yeung Yue Man

The fee for each individual director sitting on the Board is HK$120,000 per annum. The additional fees for the directors serving in the Audit Committee and the Remuneration Committee are HK$80,000 per annum and HK$40,000 per annum respectively.

Details of the Company's remuneration policies are set out in the Human Resources section on pages 34 to 35. Directors' emoluments and retirement benefits are disclosed on pages 104 to 105 and page 122. Details of Pre-IPO Option Scheme and Post-IPO Option Scheme and the movement of the options during the year 2008 are disclosed on pages 65 to 68.

Nomination of Directors

There is no nomination committee in the Group for the time being. Candidates to be nominated as directors shall be experienced and high calibre individuals. Directors nominated by the Board shall be subject to re-election at the next following annual general meeting of the Company. During the year 2008, there was no appointment of new directors.

Auditors' Remuneration

KPMG have been the Company's external auditors for over 30 years. During the year 2008, the fees charged to the financial statements of the Company and its subsidiaries for KPMG's statutory audit amounted to approximately HK$11.2 million (2007: HK$9.6 million). In addition, approximately HK$0.8 million (2007: HK$0.2 million) was charged for other services, including tax services and audit of retirement plans. The cost of recurring audit services of subsidiaries performed by other auditors amounted to approximately HK$3.4 million (2007: HK$1.0 million) and the cost of provision of other services was approximately HK$1.0 million (2007: HK$0.2 million).

Audit Committee

The Board established the Audit Committee in September 2007. The Audit Committee has clear terms of reference and is accountable to the Board. It assists the Board in meeting its responsibilities for ensuring an effective system of internal control and compliance, and in meeting its external financial reporting objectives. All committee members are independent non-executive directors of the Company. Its members comprise:

Mr Cheung Kin Piu, Valiant – *Chairman*
Mr Hsu Hsung, Adolf
Professor Yeung Yue Man

The committee members possess diversified experience and the Chairman has appropriate professional qualifications and experience in accounting matters. The Audit Committee has scheduled to meet three times each year, together with senior management and auditors, both internal and external.

During the year 2008, three committee meetings were held. The Audit Committee discussed the nature and scope of the audit; reviewed the internal audit plan, findings and management's response; considered the external auditors' projected audit fees; reviewed the interim and annual financial statements, particularly judgmental areas, before submission to the Board. The Audit Committee recommended the Board to adopt the interim and annual report for 2008.

Since the listing of the Company in October 2007, the Company has engaged a qualified accountant who is in charge of the overall management of the accounting and financial management functions of the Group. The current position is occupied by Mr Wai King Fai, Francis acting as the Chief Financial Officer of the Group whose biographical details are set out in the Senior Management section on page 47.

The terms of reference of the Audit Committee have been revised in line with the latest requirements of Appendix 14 of the Listing Rules in terms of the annual review by the Audit Committee of the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget. The Audit Committee will conduct the related review in 2009. The revised terms of reference of the Audit Committee can be found in the Group's website (www.dch.com.hk).

Internal Audit

During the year 2008, the Group continued to engage the group internal audit department (the "IA") of CITIC Pacific Limited, the listed holding company of the Company, to perform internal audits for the Group. IA carries out systematic independent reviews of all business units and subsidiaries in the Group on an ongoing basis. The frequency of review of individual business unit or subsidiary is determined after an assessment of the risks involved. The Audit Committee endorses the internal audit plan annually. IA has unrestricted access to all parts of the business, and direct access to any level of management including the Chairman, or the Chairman of the Audit Committee, as it considers necessary. The audit result is discussed and agreed with the management of the Group subsequent to each review. A summary of major audit findings together with the actions to be taken by the Group's management for rectifying the control weaknesses is also submitted to the Audit Committee. The implementation of the remedial actions will then be followed up and the implementation progress will be reported to the Audit Committee each time it meets.

Internal Controls

The Board is responsible for maintaining an adequate system of internal control and reviewing its effectiveness. The internal control system is designed to facilitate the effectiveness and efficiency of operations, safeguard assets against unauthorized use and disposition, ensure the maintenance of proper accounting records and the truth and fairness of the financial statements, and ensure compliance with relevant legislation and regulations. It provides reasonable, but not absolute, assurance against material mis-statement or loss and management rather than elimination of risks associated with its business activities.

During the year 2008, the Board, through the Audit Committee, reviewed the effectiveness of the Group's internal control system covering all material controls and risk management functions. The review is conducted annually in accordance with the requirement of the Code. The responsible management of the various business units and subsidiaries are required to assess the risks and the internal controls with reference to the five components of the COSO (The Committee of Sponsoring Organisations of the Treadway Commission) internal control framework. The result of the review has been summarised and reported to the Audit Committee.

In addition, IA conducts regular and independent reviews of the effectiveness of the Group's internal control system. The Audit Committee reviews the findings and opinion of IA on the effectiveness of the Group's internal control system and reports to the Board on such reviews.

To ensure the highest standard of integrity in our businesses, the Group has adopted a Code of Conduct defining the ethical standards expected of all employees. Training courses on the Code of Conduct are held regularly for all employees. The Audit Committee receives a report on the operation, and the need for revision, of the Code of Conduct every year.

Notifiable Transactions and Connected Transactions

During the year 2008, the Company issued announcements in respect of "notifiable transactions" and "connected transactions" which can be viewed in the Group's website (www.dch.com.hk).

Communication with Shareholders

The Company's annual general meeting (the "AGM") will be one of the principal channels of communication with its shareholders. It provides an opportunity for shareholders to ask questions about the Group's performance. A separate resolution is proposed for each substantially separate issue at the AGM.

Pursuant to the revised Listing Rules effective from 1 January 2009, the votes for the resolutions at all shareholders' meetings of the Company shall be taken by poll. The poll results will be posted on the websites of the Company and "HKExnews".

Fair Disclosure

The Company uses its best endeavours to distribute material information about the Group to all interested parties as widely as possible. Information about the Group can be found in the Group's website including descriptions of each business and the interim and annual reports of the Company.

Investor Relations

The Company proactively promotes investor relations and communications by setting up regular meetings between the Company's management and institutional shareholders and analysts.

The Company recognises its responsibility to explain its activities to those with a legitimate interest and to respond to their questions. Investors are regularly received and visited to explain the Group's businesses. In all cases, great care has been taken to ensure that no price sensitive information is disclosed selectively.

The Board is committed to providing clear and full performance information to its shareholders through the publication of interim and annual reports. In addition to dispatching circulars, notices, and financial reports to its shareholders, additional information is available to the shareholders and investors on the website of the Group.

The Company values feedback from the shareholders regarding its effort to promote transparency and foster investor relationships. Comments and suggestions are welcomed and can be addressed to the Investor Relations Department by mail or by e-mail.

Financial Reporting

The directors of the Company acknowledge their responsibility for preparing the Company's financial statements which give a true and fair view and are in accordance with generally accepted accounting standards published by the Hong Kong Institute of Certified Public Accountants. The directors of the Company endeavour to ensure a balanced, clear and understandable assessment of the Group's performance, position and prospects in financial reporting. Accordingly, appropriate accounting policies are selected and applied consistently; judgments and estimates made are prudent and reasonable. Hong Kong accounting standards have always broadly followed international accounting standards.

The responsibilities of the external auditors with respect to financial reporting are set out in the Independent Auditor's Report on page 73.

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Hui Ying Bun *Chairman*
Aged 62, a Director since January 2001. Mr Hui joined Dah Chong Hong, Limited ("Dah Chong Hong") in February 1966. Prior to his appointment as the Chairman of the Company in July 2007, he was the Group Chief Executive since January 2003. Mr Hui has more than 40 years experience with the Group in motor vehicle businesses and corporate management. In the late seventies, Mr Hui championed the development of the motor vehicle businesses in the PRC and laid the strong foundation for the later developments. In the late eighties, he further championed the development of the motor and trading businesses in Singapore. Furthermore, Mr Hui also led the structural rationalization of the Company to cope with the growth of the businesses.

Chu Hon Fai *Deputy Chairman*
Aged 63, a Director since January 2001. Mr Chu joined Dah Chong Hong in August 1964. Prior to his appointment as the Deputy Chairman of the Company in July 2007, he was the Chief Executive of Trading since January 2001. Mr Chu has over 40 years experience in the trading and logistics businesses. During his tenure, he has led the development of the food trading businesses in Hong Kong and the PRC and championed the growth of the logistics business in Hong Kong, the PRC and Macao.

Yip Moon Tong *Chief Executive Officer*
Aged 56, a Director since July 2007. He joined Dah Chong Hong in June 1992. Prior to joining Dah Chong Hong, he was serving in the Electrical and Mechanical Service Department of Hong Kong Government for 16 years. After leaving Hong Kong Government, Mr Yip joined Dah Chong Hong as the Operations and Technical Director. Prior to his appointment as the Chief Executive Officer in July 2007, he was the Managing Director for both Dah Chong Hong (Motor Service Centre) Limited and Honest Motors, Limited. Mr Yip has over 30 years experience, in both public and private sectors, in engineering and motor vehicle businesses.

Mak Kwing Tim
Aged 60, a Director since July 2007. Mr Mak is the Executive-in-charge of a number of dealerships and distributorships of renowned motor brands such as Acura, Audi, Bentley, Honda, MAN and UD Nissan Diesel in Hong Kong. Mr Mak is also responsible for managing the distributorship of Bentley vehicles in the PRC. Mr Mak joined Dah Chong Hong in February 1967 and was appointed as a Director of Dah Chong Hong in July 1993. He has over 40 years experience in the motor vehicle businesses in Hong Kong.

Lau Sei Keung
Aged 56, a Director since July 2007. Mr Lau is the Executive-in-charge of the city dealership development and operation in the PRC, currently managing over 30 city dealerships in the country, both passenger car and commercial vehicle. Mr Lau is also responsible for managing the Isuzu distributorship business in the PRC, Hong Kong and Macao. He joined the Group in February 1973 and was appointed as a Director of Dah Chong Hong in January 2003. Mr Lau has over 30 years experience in the motor vehicle businesses of Hong Kong and the PRC.

Tsoi Tai Kwan, Arthur
Aged 60, a Director since July 2007. Mr Tsoi is the Executive-in-charge of the trading, import/export, wholesale and retail of frozen and non-frozen food products in the PRC, Hong Kong and Macao. He joined the Group in June 1976 and was appointed as a Director of Dah Chong Hong in January 2003. Mr Tsoi has over 30 years experience in food trading in Hong Kong.

Glenn Robert Sturrock Smith

Aged 56, a Director since July 2007. Mr Smith is the Chief Executive of Sims Trading Company Limited ("Sims Trading") looking after the marketing and distribution business for fast moving consumer goods in the PRC, Hong Kong and Macao. He joined CITIC Pacific Limited ("CITIC Pacific") in 2001 and was then transferred to the Group when Sims Trading became part of the Group in 2004. Prior to joining CITIC Pacific and the Group, he had over 20 years experience with the Dairy Farm Group, and has over 30 years experience in the marketing and distribution of fast moving consumer goods.

Non-executive Directors

Ho Hau Hay, Hamilton

Aged 58, a Director since October 1991. He was designated as a non-executive director in July 2007. Mr Ho is also an independent non-executive director of CITIC Pacific and New World Development Company Limited, a non-executive director of King Fook Holdings Limited, all being companies listed on the Stock Exchange. Mr Ho is experienced in acting as a non-executive director's role in listed conglomerates with diversified business. He is also an executive director of Honorway Investments Limited and Tak Hung (Holding) Company Limited.

Chan Chui Sheung, Stella

Aged 46, a Director since July 2007. She had been the company secretary of the Company since 1995 up to September 2007. Ms Chan is also the company secretary of CITIC Pacific. She has extensive experience in the company secretarial field and has served the Group for more than 13 years. Ms Chan is also a non-executive director of CITIC 1616 Holdings Limited ("CITIC 1616"), a fellow subsidiary of the Company listed on the Stock Exchange.

Kwok Man Leung

Aged 40, a Director since July 2007. He is a Chartered Financial Analyst. Mr Kwok is an executive director of CITIC Pacific. He is also a non-executive director of CITIC 1616, a director of CITIC Guoan Co., Ltd. and New Hong Kong Tunnel Company Limited. He joined CITIC Pacific in 1993 after gaining experience in sales and business development with a major Hong Kong listed company.

Independent Non-executive Directors

Cheung Kin Piu, Valiant

Aged 63, a Director since September 2007. Mr Cheung also serves as the chairman of the Audit Committee of the Company. Mr Cheung was a partner at KPMG until his retirement in 2001. Mr Cheung has extensive experience in assurance and corporate finance work. Mr Cheung is currently an independent non-executive director of Pacific Century Premium Developments Limited and The Bank of East Asia, Limited, both being companies listed on the Stock Exchange. He is also an independent non-executive director of The Bank of East Asia (China) Limited, which is a wholly owned PRC subsidiary of The Bank of East Asia, Limited. He was an independent non-executive director of each of Dream International Limited from October 2001 to May 2008 and Wing Shan International Limited from March 2004 to January 2009.

Hsu Hsung, Adolf

Aged 70, a Director since September 2007. Mr Hsu spent some 40 years with the Hong Kong Government and retired in1998 as Director of Regional Services, in the rank of Administrative Officer, Staff Grade A. Mr Hsu joined New World First Bus Services Ltd as the managing director between 1 April 1998 and 31 January 2004. He was also the managing director of New World First Holdings Ltd, the holding company that wholly owns, inter alia, New World First Ferry Services Ltd, New World First Ferry (Macau) Services Ltd, and New World First Bus Service (China) Ltd. He was an executive director of Kwoon Chung Bus Holdings Ltd which is a publicly listed company and a non-executive director of New World Services Ltd. He is currently an independent non-executive director of Bel Global Resources Holdings Limited (formerly known as Peking Apparel International Group Limited), a company listed on the Stock Exchange.

Yeung Yue Man

Aged 70, a Director since September 2007. Professor Yeung is Emeritus Professor of Geography at The Chinese University of Hong Kong. Professor Yeung has also made contributions to Hong Kong policy affairs by being a member of a large number of bodies, such as the Town Planning Board, Hong Kong Housing Authority, Consultative Committee in the New Airport and Related Projects, Barrister Disciplinary Tribunal Panel, Kowloon-Canton Railways. He served as Chairman of the Land and Building Advisory Committee and is presently Chairman of the Pan-Pearl River Delta Panel under the Central Policy Unit. He is also a member of the Commission on Strategic Development of Hong Kong Government.

Senior Management

Wai King Fai, Francis

Aged 49, is the Chief Financial Officer of the Group and is primarily responsible for the overall management of the accounting and financial management functions of the Group. He joined the Group in June 2008. Mr Wai is a chartered accountant and possesses over 25 years of experience in the finance and accounting profession.

Ho Yiu Kuen

Aged 61, is the Managing Director of Dah Chong Hong (Motor Service Centre) Limited since 1 January 2009 and is primarily responsible for the management of the aftersale services and motor related business as well as the Nissan, Saab and Opel dealership. He joined the Group in September 1968. Mr Ho has more than 40 years experience in the motor industry.

Wong Siu Fat, Ringo

Aged 46, is the Director, Manufacturing and is primarily responsible for managing the electrical appliances manufacturing facilities in Shunde. He joined the Group in October 2008. Mr Wong has more than 20 years experience in marketing and sales as well as general management in a manufacturing environment.

Kuk Tai Wai, David

Aged 57, is the Managing Director of DCH Logistics Company Limited and is primarily responsible for the overall management and performance of the logistics business of the Group. He joined CITIC Pacific Group in March 2001. He was then transferred to the Group when Sims Trading became part of the Group in 2004. Mr Kuk has 29 years of experience in logistics operations.

Kwong Sum Mei, Esther
Aged 52, is the Director and General Manager of Shiseido Dah Chong Hong Cosmetics Limited and is primarily responsible for the overall management and performance of the cosmetics business of the Group. Ms Kwong joined Dah Chong Hong in April 1994. Ms Kwong has over 25 years of experience in business development and management.

Hui Kwong Lok
Aged 52, is the General Manager of Electrical Appliances Division of the Group and is primarily responsible for the overall management and performance of the electrical appliances business of the Group. He joined the Group in July 1978 and has over 30 years of experience in trading, distribution and retail of electrical appliances operations.

Cheuk Chun Wai, Simon
Aged 52, is the President and Representative Director of DCH (Japan) Holding Co., Ltd. and is based in Tokyo, Japan. Mr Cheuk is primarily responsible for the overall management of DCH (Japan) Holding Co., Ltd. and the Group's operations in Japan. In 1987, he joined CITIC HK and then CITIC Pacific. He was transferred to the Group in 1992 when the Group was acquired by CITIC Pacific. Mr Cheuk has 27 years of experience in business development and management.

Wong Chit Chong
Aged 58, is the Director and General Manager of Triangle Auto Pte Ltd in Singapore and is primarily responsible for overall management of Dah Chong Hong's operations in Singapore. He joined Triangle Auto Pte Ltd in December 1987. Mr Wong has around 39 years of experience in the motor operations in Singapore.

Liang Chun Kit, Henry
Aged 53, is the Deputy President of Dah Chong Hong (Canada) Ltd. in Vancouver, Canada and is primarily responsible for the overall management of Dah Chong Hong (Canada) Ltd. and the Group's operations in Canada. He joined Dah Chong Hong (Canada) Ltd. in May 1984. Mr Liang has about 20 years of experience in the motor operations in Canada.

Yan Mengying
Aged 60, is the Managing Director of Dah Chong Hong (China) Limited based in Shanghai, China and is primarily responsible for the overall management of Dah Chong Hong (China) Limited and in support of the Group's operations in the PRC. She joined the CITIC Pacific Group in July 1997 and was then transferred to the Group in May 2000. Ms Yan has around 39 years of experience in planning and business management.

Ho Ming Kei, Wayne
Aged 48, is the General Manager, Corporate Planning and Management of the Company and is primarily responsible for performing business monitoring, planning and development in support of the Group's business performance and development initiatives. He joined the Company in October 1995. Mr Ho has over 19 years of experience in corporate and business development operations.

Wong Hoi Ming, Alan
Aged 55, is the General Manager, Group Human Resources and Administration of the Company and is primarily responsible for the overall management of the human resources functions of the Group. He joined the Company in June 2005. Mr Wong has over 30 years of experience in the human resources and administration operations.

Chau Wai Man
Aged 54, is the General Manager, Group Information Technology of the Company and is primarily responsible for administration and operation of the Group's information technology to provide the requisite information technology platform and programs in support of business needs. He joined the Company in January 2000. Mr Chau has over 28 years experience in IT management, IT consulting, system development and maintenance.

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting to shareholders their report for the year ended 31 December 2008.

Principal Place of Business

Dah Chong Hong Holdings Limited (the "Company") is a company incorporated and domiciled in Hong Kong and has its registered office and principal place of business in Hong Kong.

Principal Activities

The Company is a diversified business conglomerate in motor vehicle sales, motor vehicle related business and services, sales of food and consumer products, as well as logistics services, supported by integrated distribution platforms and a well-established base and network in the Mainland China, Hong Kong and Macao.

Subsidiary Companies

The names of the principal subsidiaries, their principal activities, places of incorporation/establishment/operation and particulars of their share capital are set out in note 39 to the financial statements.

Dividends

The Directors declared an interim dividend of 6.43 HK cents per share in respect of the year ended 31 December 2008 which was paid on 24 September 2008. The Directors recommended, subject to the approval of the shareholders at the forthcoming annual general meeting, the payment of a final dividend of 2.95 HK cents per share in respect of the year ended 31 December 2008 payable on 27 May 2009 to shareholders on the Register of Members at the close of business on 21 May 2009.

Financial Statements

The profit of the Group for the year ended 31 December 2008 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 74 to 146.

Transfer to Reserves

The amounts and particulars of transfer to and from reserves during the year are set out in note 32 to the financial statements.

Charitable Donations

Charitable donations made by the Group during the year amounted to HK$2.8 million.

Fixed Assets

Details of the movements of fixed assets during the year are set out in note 15 to the financial statements.

Major Customers and Suppliers

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's Total			
	Sales		Purchases	
	2008	2007	**2008**	2007
The largest customer	**4.0%**	3.5%		
Five largest customers in aggregate	**11.3%**	9.6%		
The largest supplier			**13.7%**	12.7%
Five largest suppliers in aggregate			**32.9%**	27.8%

At no time during the year have the directors, their associates or any shareholder of the Company (which to the knowledge of the directors own more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

Borrowings

Particulars of borrowings of the Company and the Group as at 31 December 2008 are set out in note 26 to the financial statements.

Directors

The directors who held office during the year and up to the date of this report were:

Mr Hui Ying Bun	
Mr Chu Hon Fai	
Mr Yip Moon Tong	
Mr Mak Kwing Tim	
Mr Lau Sei Keung	
Mr Tsoi Tai Kwan, Arthur	
Mr Glenn Robert Sturrock Smith	
Mr Ho Hau Hay, Hamilton	
Ms Chan Chui Sheung, Stella	
Mr Kwok Man Leung	
Mr Cheung Kin Piu, Valiant	
Mr Hsu Hsung, Adolf	
Professor Yeung Yue Man	
Mr Chan Kin Man, Andrew	(resigned on 16 July 2008)
Mr Chau Chi Yin	(resigned on 20 October 2008)

Biographical details of the directors in office as at 31 December 2008 are set out on pages 45 to 47 of the Annual Report 2008 of the Company.

Pursuant to Article 104(A) of the New Articles of Association of the Company, Messrs Hui Ying Bun, Chu Hon Fai and Glenn Robert Sturrock Smith and Ms Chan Chui Sheung, Stella shall retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The Company has received from each independent non-executive director an annual confirmation of his independence pursuant to the independence guidelines under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and that the Company still considers such directors to be independent.

Contracts of Significance with Controlling Shareholder

The Company entered into an administrative services agreement with CITIC Pacific Limited on 28 September 2007, pursuant to which the Company shared certain administrative services, namely, company secretarial services, internal audit services and tax compliance services with CITIC Pacific Limited as commenced on 1 January 2007. The agreement shall continue thereafter in force from year to year but may be terminated if CITIC Pacific Limited shall hold less than 30% of the shares of the Company or by either party giving six month prior notice in writing to the other party. The charges payable by the Company under the agreement will be determined based on cost of the services and the time spent by CITIC Pacific Limited as recorded monthly and calculated in proportion to their departmental monthly charges. Charges paid by the Company for year ended 31 December 2008 were HK$6.8 million.

The Company also entered into a trademark licence agreement on 28 September 2007 with CITIC Pacific Limited, pursuant to which CITIC Pacific Limited agreed to license its trademark, on a non-exclusive basis, for use in connection with the trade, businesses and operations of the Group. The term of this agreement is from 28 September 2007 until the expiration of the current trademark registration on 26 July 2014. Either party may terminate the agreement before the term by giving six month written advance notice. No consideration is payable by the Company to CITIC Pacific Limited for the use of the trademark.

CITIC Pacific Limited has executed a non-competition undertaking dated 28 September 2007 in favour of the Company to the effect that at any time during which the shares of the Company are listed on the Stock Exchange and CITIC Pacific Limited and/or its associates are regarded as a controlling shareholder of the Company under the Listing Rules, (i) CITIC Pacific Limited will not engage and will procure its subsidiaries (excluding CITIC 1616 Holdings Limited, the Company and their respective subsidiaries) not to engage in business that may compete with the Group, and (ii) in the event that any opportunity is made available to CITIC Pacific Limited to invest in any independent third party's business engaging in activities carried out by the Group, CITIC Pacific Limited will use its best efforts to procure that such investment opportunity is offered to the Group and the Group shall have a first right of refusal.

CITIC Pacific Limited has executed an indemnity dated 28 September 2007 in favour of the Group under which CITIC Pacific Limited agreed to indemnify the Group in respect of various issues if such matters subsisted prior to the listing of the Company. Such issues include taxation claim, defects in titles of properties, leakage of assets resulting from the contractual arrangement with the registered owners of those PRC companies through which the Group conducts its operations in the industries that have foreign ownership restrictions, failure to the payment of social security and housing accumulations funds, failure to obtain business operating licence and permits. No claim has been made by the Group against CITIC Pacific Limited pursuant to the indemnity since 28 September 2007.

The Company also entered into certain tenancy arrangements with subsidiaries of CITIC Pacific Limited, details of which are set out under the heading of "Connected Transactions".

Saved as disclosed above, no contract of significance was entered into between the Company or any of its subsidiary companies on the one part and the Company's controlling shareholder or any of its subsidiary companies (excluding the Group) on the other part during the year.

Directors' Interests in Contracts of Significance

None of the directors of the Company has or at any time during the year had, an interest which is or was material, either directly or indirectly, in any contract with the Company or any of its subsidiary companies, which was significant in relation to the business of the Company, and which was subsisting at the end of the year or which had subsisted at any time during the year.

Competing Interest

Mr Kwok Man Leung, a non-executive director of the Company, is a director of Wal-Mart East China Stores Co., Ltd. and Jiangsu Wal-Mart Stores Co., Ltd. (together "Wal-Mart JVs") which are engaged in hypermarket business in the Mainland China. However, the Company does not regard the Wal-Mart JVs and the Company as directly competing with, or relying on, each other for the reasons that they are operating with different business strategies, in different models and geographical locations and have independent management and operations.

In so far as the directors are aware, save as disclosed above, none of the directors had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

Connected Transactions

The Group entered into the following connected transactions during the year ended 31 December 2008, each of which constitutes a non-exempt connected transaction subject to the reporting and announcement requirements only (other than item 3 below) under Chapter 14A of the Listing Rules.

1. On 14 April 2008, 江門市寶昌汽車銷售服務有限公司 (Jiangmen Baochang Motors Sale and Service Limited) ("Jiangmen Baochang") (a company accounted for as a wholly owned subsidiary of the Company) entered into a share transfer agreement (the "Share Transfer Agreement") with Mr Tan Dehua whereby Jiangmen Baochang agreed to acquire from Mr Tan Dehua the remaining 20% equity interest in the registered capital of 江門市怡誠汽車銷售服務有限公司 (Jiangmen Yicheng Motors Sale and Service Limited) ("Jiangmen Yicheng"), a non-wholly owned subsidiary of the Company, at a consideration of RMB2,000,000. Jiangmen Yicheng is engaged in motor vehicle dealing. The abovesaid acquisition was completed during the year. Since completion, Jiangmen Yicheng had been accounted for as a wholly owned subsidiary of the Company.

   Mr Tan Dehua was, on the date of the Share Transfer Agreement, a substantial shareholder of Jiangmen Yicheng and therefore, a connected person of the Company. The Share Transfer Agreement constituted a connected transaction of the Company under the Listing Rules.

2. On 2 July 2008, 湛江市駿凱汽車技術服務有限公司 (Zhanjiang Junkai Motors Technology and Service Limited) ("Zhanjiang Junkai") (a wholly owned subsidiary of the Company) entered into an enterprise purchase agreement with 雲南中凱集團有限公司 (Yunnan Zhongkai Holdings Limited) ("Yunnan Zhongkai"), Ms Qu Guijing and 雲南聯致汽車服務有限公司 (Yunnan Lianzhi Motors Service Limited) ("Yunnan Lianzhi") under which Zhanjiang Junkai agreed to purchase, and Yunnan Zhongkai agreed to sell, (i) the 80% equity interest in the registered capital of Yunnan Lianzhi held by Yunnan Zhongkai at the consideration of RMB5,477,374.37 which was calculated with reference to the net assets of Yunnan Lianzhi as at 30 April 2008 subject to adjustment when the financial statements of Yunnan Lianzhi as at 30 June 2008 were finalized; and (ii) the benefit of the amount payable by Yunnan Lianzhi to Yunnan Zhongkai as a result of the advances made by Yunnan Zhongkai for Yunnan Lianzhi as at 30 June 2008 at book value. As a reference, the said amount payable as at 30 April 2008 was RMB9,476,548.07. The consideration of RMB5,477,374.37 was subsequently adjusted to RMB5,406,677.28 with reference to the net assets of Yunnan Lianzhi as at 30 June 2008 whereas the amount payable by Yunnan Lianzhi to Yunnan Zhongkai as at 30 June 2008 was RMB7,576,548.07. Yunnan Lianzhi is engaged in motor vehicle dealing. The aforesaid acquisition was completed during the year. Since completion, Yunnan Lianzhi had been accounted for as a non-wholly owned subsidiary of the Company.

   Yunnan Zhongkai is a connected person of the Company as it is (i) a substantial shareholder of certain subsidiaries of the Company; and (ii) an associate of a director of various subsidiaries of the Company engaged in motor vehicle dealing. Ms Qu Guijing is also a connected person of the Company by virtue of her being an associate of the said director. The abovesaid acquisition constituted a connected transaction of the Company under the Listing Rules.

3. On 26 August 2008, Delight Star Enterprises Limited ("DSE") (a wholly owned subsidiary of the Company) and the Company entered into a sale and purchase agreement (the "4S Acquisition Agreement") with Denker Investment Limited ("DIL") and Mr Mak Hing Lung, pursuant to which DSE (or its nominee) agreed to acquire from DIL 49% and 50% equity interests in Strong Step Holdings Limited and Star Partner Holdings Limited (collectively the "4S Target Companies") respectively, and the related shareholders' loans for a total consideration of HK$143,716,000. The 4S Target Companies are DIL's holding vehicles for its interests in the businesses relating to the provision of vehicle sales, spare parts, maintenance services and customer survey services in respect of the "FAW Toyota" brand in Guangzhou and Foshan, the PRC and "Lexus" brand in Guangzhou, the PRC. The parties also agreed that after completion of the acquisition, the existing guarantees in favour of the 4S Target Companies were to be replaced by replacement guarantees provided by DSE and DIL. Such replacement guarantees were expected not to exceed HK$80,000,000. In addition, each of DIL and DSE would contribute an expected amount not exceeding HK$100,000,000 to the 4S Target Companies by way of equity or loan in proportion to their existing interests in the 4S Target Companies for working capital purpose.

   The abovesaid acquisition was completed during the year. Since completion, DSE had a 50% economic interest in each of the 4S Target Companies. The 4S Target Companies had been accounted for as non-wholly owned subsidiaries of the Company.

   As DIL is a substantial shareholder and Mr Mak Hing Lung is a director of various subsidiaries of the Company, both DIL and Mr Mak Hing Lung are connected persons of the Company. The 4S Target Companies are also connected persons of the Company by virtue of their being associates of Mr Mak Hing Lung. The transactions contemplated by the abovesaid acquisition and financial assistance constituted connected transactions for the Company under the Listing Rules and were approved by the independent shareholders of the Company by way of a written resolution passed on 2 September 2008.

   After completion, certain subsidiaries of the 4S Target Companies (the "4S OPCOs") were held by persons which have the legal capacity under the regulation as registered shareholders (the "Registered Owners") for the benefits of the respective 4S Target Companies and its subsidiaries (the "4S Target Group") through a series of contractual arrangements implemented by the 4S Target Group prior to the conversion of relevant 4S OPCOs into companies which can be owned by foreign enterprises. Such contractual arrangements are fundamental to the legal structure and business operations of the 4S Target Group and are specifically designed for the purpose of allowing the 4S Target Group (a) to enjoy all the economic benefits, to exercise management control over the operations and to prevent leakages of assets and values to the registered owners of the relevant 4S OPCOs; and (b) to acquire, if and when permitted by the relevant PRC laws, the equity interests in the relevant 4S OPCOs at the minimum transfer price permitted under the relevant PRC laws and regulations (i.e. at nil consideration or at a nominal value).

   The Registered Owners were connected persons of the Company by virtue of his/her directorship and/or substantial shareholding in certain subsidiary(ies) of the Company. The abovesaid contractual arrangements also technically constituted connected transactions for the Company. The information relating to the contractual arrangements implemented by the 4S Target Group are set out in detail in the subsequent section on "Contractual Arrangements".

   Pursuant to the 4S Acquisition Agreement, DIL and Mr Mak Hing Lung had guaranteed that the aggregate of (i) 100% of the audited net profit after taxation of Guangzhou Guangbao Toyota Motors Sale and Service Limited ("Guangzhou Guangbao") (excluding Foshan Junan Toyota Motors Sale and Service Limited and any of its subsidiaries and investments) and (ii) 55% of the audited net profit after taxation of Guangzhou Junjia Lexus Motors Sale and Service Limited ("Guangzhou Junjia") (excluding any of its subsidiaries and investments), for the period from 1 August 2008 to 31 December 2008 and each of the two years ending 31 December 2010 shall be no less than RMB12.9 million, RMB31.0 million and RMB31.0 million respectively (together the "Guaranteed Profits"). In the event that the adjusted pro-rata net profit after taxation from Guangzhou Guangbao and Guangzhou Junjia (the "Adjusted Pro-rata Net Profit") for the aforesaid period(s) is/are less than the Guaranteed Profits, 50% of such shortfall shall be indemnified by DIL and Mr Mak Hing Lung to the Group on a dollar-to-dollar basis in cash. The Adjusted Pro-rata Net Profit for the period from 1 August 2008 to 31 December 2008 had met with the Guaranteed Profits.

Each of DIL and Mr Mak Hing Lung had undertaken to the Company that, upon completion, the aggregate of 100% and 55% of the net asset value of Guangzhou Guangbao and Guangzhou Junjia (excluding any of their respective subsidiaries and investments), respectively, would be no less than approximately HK$63.8 million (the "Guaranteed Net Asset Value"). In the event the actual net asset value of Guangzhou Guangbao and Guangzhou Junjia (excluding their respective subsidiaries and investments) attributable to the Group (the "Target Net Asset Value") falls below the Guaranteed Net Asset Value, DIL and Mr Mak Hing Lung had undertaken that 50% of such shortfall shall be indemnified. The Target Net Asset Value was more than the Guaranteed Net Asset Value on completion.

Continuing Connected Transactions

The Group has entered into the following continuing connected transactions, each of which constitutes a non-exempt continuing connected transaction subject to the reporting and announcement requirements only under Chapter 14A of the Listing Rules.

1. **Long-term airport ground support equipment ("GSE") maintenance services and vehicle repair services provided by Dah Chong Hong — Dragonair Airport GSE Service Limited to Hong Kong Airport Services Limited at the Hong Kong International Airport**

   By an agreement for GSE maintenance and repair entered into between Hong Kong Airport Services Limited ("HAS") and Dah Chong Hong — Dragonair Airport GSE Service Limited ("DAS", a non-wholly owned subsidiary of the Company) dated 17 July 1998, DAS, being one of the franchisees granted by the Hong Kong Airport Authority to provide GSE repair and maintenance services at the Hong Kong International Airport until 2013, agreed to provide the GSE repair and maintenance service to HAS' fleet of GSE in the airport in accordance with HAS' service standards. This forms the basis of an operational agreement between the two parties which is to be entered into annually after negotiation of the labour rate and the number of GSE in the HAS' fleet for a one-year term.

   HAS is a fellow subsidiary of Hong Kong Dragon Airlines Limited ("KA") which is a substantial shareholder of certain subsidiaries of the Company. Therefore, HAS is a connected person of the Company.

   As disclosed in the prospectus of the Company dated 4 October 2007 (the "Prospectus"), the applicable capped amounts of maintenance fees payable by HAS to DAS for the year ended 31 December 2008 and for the year ending 31 December 2009 are HK$23.4 million and HK$25.8 million respectively. The aggregate amount of maintenance fees paid by HAS to DAS during the year were HK$16.9 million which did not exceed the capped amount.

2. **Outsourcing of GSE services by DAS to DAS Aviation Support Limited**

   DAS Aviation Support Limited ("DSL"), a joint venture company held as to 70% by the Group and 30% by KA, is engaged in providing parts/equipments for the GSE management and aviation support services.

   From time to time, DAS is expected to outsource part of its GSE services to DSL where DSL will provide the relevant parts required for the GSE concerned. DSL is an associate of KA and therefore a connected person of the Company.

   On 28 September 2007, DSL entered into an outsourcing master agreement on GSE services with DAS, whereby DAS might from time to time outsource part of the GSE maintenance services and vehicle repair services to DSL. The term of the agreement is for three years commencing from 1 January 2007 and ending on 31 December 2009.

   As disclosed in the Prospectus, the applicable capped amounts of outsourcing fees payable by DAS to DSL for the year ended 31 December 2008 and for the year ending 31 December 2009 are HK$31.6 million and HK$33.6 million respectively. The aggregate amount of outsourcing fees paid by DAS to DSL during the year were HK$20.9 million which did not exceed the capped amount.

3. Long-term maintenance services on unit load device by DAS Nordisk Limited to Cathay Pacific Airways Limited

Pursuant to a contract for unit load device ("ULD") maintenance and repair entered into between DAS Nordisk Limited ("DAS Nordisk"), a non-wholly owned subsidiary of the Company, and Cathay Pacific Airways Limited ("CX") dated 1 July 2005 (with a term expired on 30 June 2008) (the "Old ULD Maintenance Services Agreement"), DAS Nordisk agreed to carry out maintenance and repair services on CX's ULD equipment. CX is the holding company of KA and therefore a connected person of the Company.

The arrangements under the Old ULD Maintenance Services Agreement were renewed under a contract entered into between DAS Nordisk and CX dated 17 September 2008, pursuant to which CX agreed to appoint DAS Nordisk to provide ULD maintenance and repair services for a term of three years from 1 July 2008 to 30 June 2011.

The amount of maintenance fees payable by CX to DAS Nordisk was expected to be subject to an annual cap of HK$60.0 million for the financial year ended 31 December 2008 and for each of the financial years ending 31 December 2009, 2010 and 2011. The aggregate amount of maintenance fees paid by CX to DAS Nordisk during the year were HK$33.7 million which did not exceed the capped amount.

4. Outsourcing of ULD maintenance services by DAS Nordisk to DAS

Pursuant to an outsourcing master agreement entered into between DAS Nordisk and DAS dated 28 September 2007 (with a term expiring on 31 December 2009) (the "Original Outsourcing Master Agreement"), DAS Nordisk agreed to outsource part of its maintenance services on ULD to DAS. DAS is an associate of KA and therefore a connected person of the Company.

On 17 September 2008, DAS Nordisk entered into a supplemental agreement with DAS to supplement and amend certain provisions of the Original Outsourcing Master Agreement for the purpose of revising the annual caps for the financial year ended 31 December 2008 and for the financial year ending 31 December 2009 to HK$41.0 million and HK$58.0 million respectively. The aggregate amount paid by DAS Nordisk to DAS during the year was HK$26.3 million which did not exceed the capped amount.

5. Purchases of ULD spare parts from Nordisk Asia Pacific Limited by DAS Nordisk

Pursuant to a sale and purchase master agreement entered into between DAS Nordisk and Nordisk Asia Pacific Limited ("Nordisk Asia") dated 24 September 2007 (with a term expiring on 31 December 2009) (the "Original S&P Master Agreement"), DAS Nordisk might from time to time purchase ULD spare parts from Nordisk Asia. As the ULD is manufactured by the Nordisk group, the purchases of the ULD spare parts could only be made from the manufacturer, i.e. the Nordisk group.

Nordisk Asia is a subsidiary of Nordisk Asia Pacific Pte. Ltd. ("NAP"). NAP is a substantial shareholder of a subsidiary of the Company and therefore, Nordisk Asia is a connected person of the Company.

On 17 September 2008, DAS Nordisk entered into a supplemental agreement with Nordisk Asia to supplement and amend certain provisions of the Original S&P Master Agreement for the purpose of revising the annual caps for the financial year ended 31 December 2008 and for the financial year ending 31 December 2009 to HK$16.0 million and HK$21.0 million respectively. The aggregate amount paid by DAS Nordisk to Nordisk Asia and its holding company, Nordisk Aviation Products a.s. during the year was HK$5.9 million which did not exceed the capped amount.

6. Goods sold to Anping Holdings Inc. by 廣東偉德利電器製造有限公司 (Guangdong Victory Electrical Appliances Manufacturing Co., Ltd.)

廣東偉德利電器製造有限公司 (Guangdong Victory Electrical Appliances Manufacturing Co., Ltd.) ("GDVTR") was previously a 20% associate of the Company and became a wholly owned subsidiary of the Company in August 2008. Before the Company's acquisition of all the interests in GDVTR, an agency agreement (the "Agency Agreement") was entered into between GDVTR and its then intermediate holding company, Anping Holdings Inc. ("Anping"), on 1 August 2008 for a term of six months under which Anping agreed to act as the selling agent for GDVTR. Under the Agency Agreement, goods of GDVTR would be sold to Anping at such prices as might be mutually agreed by the parties provided that such prices should not be lower than the prevailing market prices or, if there were no such market prices, those prices that were offered by GDVTR to other third parties.

Anping is an associate of a director of GDVTR and therefore is a connected person of the Company. After the Company's acquisition of all the interest in GDVTR, transactions under the Agency Agreement became post-completion continuing connected transactions for the Company.

The capped amounts payable by Anping to GDVTR for the period from 29 August 2008 (completion date of the acquisition) to 31 December 2008 and the period from 1 January 2009 to 31 January 2009 were expected not to exceed HK$90.0 million and HK$20.0 million respectively. The aggregate amount paid by Anping to GDVTR during the period from 29 August 2008 to 31 December 2008 was HK$63.5 million which did not exceed the capped amount.

7. Leasing of premises for operations of the Group

During the year, there existed the following tenancy agreements (the "Tenancy Agreements") with the respective landlords (all being wholly owned subsidiaries of CITIC Pacific Limited) for leasing the premises necessary for the operations of its business in Hong Kong and the PRC.

Agreement Date	Location	Monthly Rentals	Term
13 August 2007	5/F, 7/F–12/F, 15/F and 16/F, Broadway Centre, 93 Kwai Fuk Road, Kwai Chung, New Territories, Hong Kong	HK$674,820.00	1 January 2006 to 31 December 2008 with an option to renew for a further term of 3 years
13 August 2007	Block C of Yee Lim Industrial Centre, Nos. 2–6 Kwai Hei Street, and Nos. 2–28 Kwai Lok Street, Kwai Chung, New Territories, Hong Kong	HK$864,526.50	1 January 2006 to 31 December 2008 with an option to renew for a further term of 3 years
13 August 2007	Factory Unit A (also known as Factory Unit 1) on G/F including loading and unloading platform and Car Parking Space No. 112 on G/F of Tsuen Wan Industrial Centre, 220–248 Texaco Road, Tsuen Wan, New Territories, Hong Kong	HK$203,968.00	1 January 2006 to 31 December 2008 with an option to renew for a further term of 3 years

Agreement Date	Location	Monthly Rentals	Term
13 August 2007	G/F, Portion of 1/F, Unit 1A on 1/F, 2/F, 3/F and 8/F of No. 111 Lee Nam Road, Ap Lei Chau, Hong Kong (Note 1)	HK$634,324.50	1 January 2006 to 31 December 2008 with an option to renew for a further term of 3 years
13 August 2007	Unit 1B on 1/F of No. 111 Lee Nam Road, Ap Lei Chau, Hong Kong	HK$22,061.85	1 April 2006 to 31 December 2008 with an option to renew for a further term of 3 years
13 August 2007	DCH Building, No. 20 Kai Cheung Road, Kowloon, Hong Kong	HK$4,902,959.50	1 January 2006 to 31 December 2008 with an option to renew for a further term of 3 years
13 August 2007	Units 801–812, 8th Floor, CITIC Square, 1168 Nanjing West Road, Shanghai, PRC (Note 2)	US$35,898.12	1 July 2006 to 30 June 2009 with an option to renew for a further term of 3 years
31 December 2007	Unit J on 14/F of No. 111 Lee Nam Road, Ap Lei Chau, Hong Kong (Note 3)	HK$31,310.00	1 December 2007 to 30 November 2008
14 April 2008	Unit C on 1/F of No. 111 Lee Nam Road, Ap Lei Chau, Hong Kong	HK$29,269.50	1 May 2008 to 31 December 2008
16 September 2008	Units 907 and 908A, 9th Floor, CITIC Square, 1168 Nanjing West Road, Shanghai, PRC (Note 4)	RMB62,687.53	1 November 2008 to 31 October 2009

Notes:

1. By a licence agreement dated 25 March 2008, the Group was given the right to use an additional space in the store room on 7/F at a monthly fee of HK$340.00 up to 31 December 2008.

2. The monthly rentals for the period from 1 May 2008 to 30 June 2009 for:
   (i) Units 801–809 and 812 were revised to US$29,897.34 under an agreement dated 13 June 2008;
   (ii) Unit 810 was revised to US$2,865.43 under an agreement dated 13 June 2008; and
   (iii) Unit 811 was revised to US$3,135.35 under an agreement dated 23 October 2008.

   The abovesaid tenancies were surrendered with effect from 15 March 2009 by surrender agreements dated 3 March 2009.

3. By a supplemental letter dated 21 November 2008, the Group was allowed to stay for an additional month at the rental of HK$40,703.00.

4. The premises was initially subject to an agreement dated 26 November 2007 for a term of 13 months ended on 31 October 2008 at a monthly rental of RMB34,193.20.

In addition, the following property was subject to an oral agreement and a surrender agreement dated 31 August 2007 between a wholly owned subsidiary of CITIC Pacific Limited as the landlord and the Group as the tenant. Such property was surrendered to the landlord on 1 February 2008.

Location	Monthly rental as set out in the surrender agreement
Yuen Long Town Lot No. 508, New Territories, Hong Kong	HK$312,973.20

The aggregate rentals paid by the Group under the Tenancy Agreements and the oral tenancy during the year were approximately HK$92.5 million which did not exceed the capped amount of HK$98.0 million as disclosed in the Prospectus.

The transactions set out in Continuing Connected Transactions numbered 1, 3, 6 and 7 are also disclosed as material related party transactions in note 37 of the financial statements. Saved as disclosed herein and apart from the following items, all the material related party transactions for 2008 did not constitute connected transactions for the Company:

1. service income from affiliates included provision of GSE maintenance, ULD maintenance, vehicle maintenance, motor leasing, leasing of ULD pallets in the amount of HK$10.8 million (2007: HK$15.0 million) to various affiliates which constituted connected persons of the Company but each of these transactions was exempted from disclosure requirement under di-minimus rule; and

2. sales to affiliates in the amount of HK$14.6 million (2007: HK$6.3 million) related to sales of various types of food products and fast moving consumer goods to various affiliates which constituted connected persons of the Company but each of these transactions was exempted from disclosure requirement under di-minimus rule.

Review of Non-exempt Continuing Connected Transactions

Pursuant to Rule 14A.37 of the Listing Rules, the independent non-executive directors of the Company have reviewed the above non-exempt continuing connected transactions (the "Transactions") and are of the opinion that the Transactions have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and

(c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company have:

(a) found that the Transactions have received the approval of the Board of Directors of the Company;

(b) obtained the relevant agreements governing each of the Transactions from management; and

(c) found that the Transactions have not exceeded the caps disclosed in the Prospectus or previous announcements, whichever is applicable, in respect of each of the Transactions.

The auditors of the Company have obtained confirmation from the Company that the pricing terms set out in the relevant agreements governing transactions in Continuing Connected Transactions numbered 1 to 4 and 6 were in accordance with the pricing policies of the Group. The auditors of the Company further found that:

(i) for the transactions set out in Continuing Connected Transactions numbered 1 to 4, the prices charged for each of the transactions selected were in accordance with the pricing terms as set out in the relevant agreements governing such transactions or where the related agreement did not clearly specify a price, the prices charged were consistent with the prices charged for comparable transactions that were identified by management; and

(ii) for the transactions set out in Continuing Connected Transaction numbered 6 which was bound by an agency agreement entered into by GDVTR before being acquired by the Group as a wholly owned subsidiary, all sales of GDVTR were sold to Anping being the agent as stipulated in the relevant agency agreement and thereafter sold to the third party through Anping's immediate holding company. The agency agreement stipulated that the price charged to Anping should not be lower than the prevailing market price or, if there were no such market prices, those prices that were offered by GDVTR to other parties. The prices charged between GDVTR and Anping for each of the transactions selected agreed with the prices sold to the third party by Anping's immediate holding company.

Contractual Arrangements

The Group has been conducting its PRC operations in the industries that have foreign ownership restrictions through various companies incorporated in the PRC (the "OPCOs") which are owned by persons which have the legal capacity under the regulation to be shareholders (the "Registered Owners") for the benefits of the Group by virtue of a series of contractual arrangements (the "Contractual Arrangements"). The Contractual Arrangements were designed specifically to confer upon the Group the following rights and benefits:

(i) the right to enjoy all the economic benefits of the OPCOs, to exercise management control over the operations of the OPCOs, and to prevent leakages of assets and values to shareholders of the OPCOs; and

(ii) the right to acquire, if and when permitted by PRC law, the equity interests in the OPCOs at nil consideration or at a nominal value.

The written documentation for the Contractual Arrangements have been signed by the relevant member of the Group and the relevant Registered Owners to record the arrangements as implemented and exercised by the parties since the establishment or acquisition of the OPCOs. Apart from being shareholders of the OPCOs, some of the Registered Owners also act as directors or legal representatives of the OPCOs or are directors of other subsidiaries of the Company, and therefore such Contractual Arrangements would technically constitute connected transactions of the Company and, unless an exemption is available under the Listing Rules, must comply with the applicable announcement, reporting and independent shareholders approval requirements of Chapter 14A of the Listing Rules.

Details of the Contractual Arrangements in place during the year ended 31 December 2008 are set out below:

Name of OPCOs	Date of establishment of OPCOs	Registered capital (note 11) (RMB million)	Name of Registered Owner(s)/Owner(s) and shareholding	Amount of loan advanced under the Contractual Arrangements Agreement(s) (RMB million)	Name of Holding Subsidiary	Group's attributable interests	Subsidiary/ Associate/Jointly controlled entity
1. 江門大昌貿易行有限公司 Dah Chong Hong (Jiangmen) Limited	20 May 2003	5	張江長 (Zhang Jiangchang) (note 1) (90%) 嚴夢英 (Yan Mengying) (10%)	4.5 0.5	Dah Chong Hong (China) Limited	100%	Subsidiary
2. 江門昌運油品有限公司 Chang Yun Oil Products Co. Ltd.	20 May 2003	19 (note 2)	張江長 (Zhang Jiangchang) (note 1) (50%)	9.5 (note 2)	Dah Chong Hong (China) Limited	50%	Jointly controlled entity
3. 上海大昌行經貿有限公司 Shanghai Dah Chong Hong Trading Ltd.	14 April 1998	12.5	上海大昌行食品工業有限公司 Shanghai DCH Food Industries Ltd. (88%) 王靜芬 (Wang Jingfen) (8%) 嚴夢英 (Yan Mengying) (4%)	– 1 0.5	Dah Chong Hong (China) Limited	100%	Subsidiary
4. 上海大昌行儲運有限公司 (Shanghai Dah Chong Hong Storage and Transportation Limited)	27 May 2005	0.5	上海大昌行經貿有限公司 Shanghai Dah Chong Hong Trading Ltd. (80%) 楊福祥 (Yang Fuxiang) (20%)	– 0.1	Dah Chong Hong (China) Limited	100%	Subsidiary
5. 上海大昌行國際貿易有限公司 Dah Chong Hong International Shanghai Ltd.	27 May 2005	5	上海大昌行經貿有限公司 Shanghai Dah Chong Hong Trading Ltd. (80%) 楊福祥 (Yang Fuxiang) (20%)	– 1	Dah Chong Hong (China) Limited	100%	Subsidiary
6. 上海上昌工貿有限公司 (Shanghai Shangchang Industry and Trading Limtied)	26 December 2000	5.88	王靜芬 (Wang Jingfen) (60%) 許學華 (Xu Xuehua) (40%)	3.528 2.352	Dah Chong Hong (China) Limited	100%	Subsidiary
7. 上海宏圖電器有限公司 (Shanghai Vision Electrical Appliances Co., Ltd.)	14 December 2000	1	上海大昌行經貿有限公司 Shanghai Dah Chong Hong Trading Ltd. (80%) 嚴夢英 (Yan Mengying) (20%)	– 0.2	Dah Chong Hong (China) Limited	100%	Subsidiary
8. 廣東慎昌貿易有限公司 Guang Dong Sims Trading Co., Ltd.	4 April 1999	4	江門慎昌貿易有限公司 (Sims Trading (Jiangmen) Company Limited) (75.25%) 嚴夢英 (Yan Mengying) (24.75%)	– 0.99	Sims (China) Limited	100%	Subsidiary
9. 江門慎昌貿易有限公司 (Sims Trading (Jiangmen) Company Limited)	20 May 2003	10	區兆昌 (Ou Zhaochang) (90%) 張江長 (Zhang Jiangchang) (10%)	9 1	Sims (China) Limited	100%	Subsidiary
10. 上海眾泰汽車銷售有限公司 (Shanghai Zhongtai Motor Sales Limited) (note 3)	14 July 1998	12	王靜芬 (Wang Jingfen) (45.83%) 程濟美 (Cheng Jimei) (32.5%) 仲玉林 (Zhong Yulin) (16.67%) 宋志良 (Song Zhiliang) (5%)	5.5 3.9 2.0 0.6	Triangle Motors (China) Limited	100%	Subsidiary
11. 上海眾鈴汽車銷售服務有限公司 (Shanghai Zhongling Motors Sale and Service Limited)	14 April 1997	12	沈學鋒 (Shen Xuefeng) (50%) 程濟美 (Cheng Jimei) (41.5%) 上海大昌行經貿有限公司 Shanghai Dah Chong Hong Trading Ltd. (8.5%)	6 4.98 –	Triangle Motors (China) Limited	100%	Subsidiary

Name of OPCOs	Date of establishment of OPCOs	Registered capital[note 11] (RMB million)	Name of Registered Owner(s)/Owner(s) and shareholding	Amount of loan advanced under the Contractual Arrangements Agreement(s) (RMB million)	Name of Holding Subsidiary	Group's attributable interests	Subsidiary/ Associate/Jointly controlled entity
12. 寧波眾鈴汽車貿易有限公司 (Ningbo Zhongling Motors Trading Limited)	17 August 2000	12	上海眾鈴汽車銷售服務有限公司 (Shanghai Zhongling Motors Sale and Service Limited) (67%) 仲玉林 (Zhong Yulin) (33%)	– 4	Triangle Motors (China) Limited	100%	Subsidiary
13. 深圳市眾運汽車貿易有限公司 (Shenzhen Zhongyun Motors Trading Limited)	16 February 1998	15 [note 4]	仲玉林 (Zhong Yulin) (40%) 上海眾鈴汽車銷售服務有限公司 (Shanghai Zhongling Motors Sale and Service Limited) (26.67%) 寧波眾鈴汽車貿易有限公司 (Ningbo Zhongling Motors Trading Limited) (26.67%) 昆明合運汽車貿易有限公司 Kunming Heyun Motor Trading Co., Ltd. (6.66%)	6 – – –	Triangle Motors (China) Limited	100%	Subsidiary
14. 昆明合達汽車銷售服務有限公司 (Kunming Heda Motors Sale and Service Limited)	14 August 2001	5	深圳市眾運汽車貿易有限公司 (Shenzhen Zhongyun Motors Trading Limited) (60%) 仲玉林 (Zhong Yulin) (40%)	– 2	Triangle Motors (China) Limited	100%	Subsidiary
15. 昆明合運汽車貿易有限公司 Kunming Heyun Motor Trading Co., Ltd. [note 5]	15 November 1999	5	仲玉林 (Zhong Yulin) (30%) 程濟美 (Cheng Jimei) (44%) 上海賓利汽車銷售有限公司 (Bentley Shanghai Motor Sale Ltd.) (20%) 上海大昌行經貿有限公司 Shanghai Dah Chong Hong Trading Ltd. (6%)	1.5 2.2 – –	Triangle Motors (China) Limited	100%	Subsidiary
16. 江門市寶昌汽車銷售服務有限公司 (Jiangmen Baochang Motors Sale and Service Limited)	16 April 2003	12	仲玉林 (Zhong Yulin) (50%) 蔡兆敏 (Cai Zhaomin) (50%)	6 6	Dah Chong Hong Motors (China) Limited	100%	Subsidiary
17. 廣東駿現汽車貿易有限公司 (Guangdong Junxian Motors Trading Limited)	7 July 2004	10	程濟美 (Cheng Jimei) (20%) 仲玉林 (Zhong Yulin) (80%)	2 8	Dah Chong Hong Motors (China) Limited	100%	Subsidiary
18. 湛江市駿華豐田汽車銷售服務有限公司 (Zhanjiang Junhua Toyota Motors Sale and Service Limited)	2 July 2003	6	蔡兆敏 (Cai Zhaomin) (50%) 仲玉林 (Zhong Yulin) (50%)	3 3	Dah Chong Hong Motors (China) Limited	100%	Subsidiary
19. 湛江市駿誠汽車銷售服務有限公司 (Zhangjiang Juncheng Motors Sale and Service Limited)	16 December 2005	12	蔡兆敏 (Cai Zhaomin) (80%) 仲玉林 (Zhong Yulin) (20%)	9.6 2.4	Dah Chong Hong Motors (China) Limited	100%	Subsidiary
20. 雲南中馳汽車銷售服務有限公司 (Yunnan Zhongchi Motors Sale and Service Limited)	30 December 2003	6.15	蔡兆敏 (Cai Zhaomin) (50%) 仲玉林 (Zhong Yulin) (50%)	3.075 3.075	Dah Chong Hong Motors (China) Limited	100%	Subsidiary

Name of OPCOs	Date of establishment of OPCOs	Registered capital (note 11) (RMB million)	Name of Registered Owner(s)/Owner(s) and shareholding	Amount of loan advanced under the Contractual Arrangements Agreement(s) (RMB million)	Name of Holding Subsidiary	Group's attributable interests	Subsidiary/ Associate/Jointly controlled entity
21. 昆明聯亞豐田汽車銷售服務有限公司 Kunming Lianya Toyota Motor Sales and Service Co., Ltd. (note 5)	30 September 2003	5	孫海文 (Sun Haiwen) (70%) 宋志良 (Song Zhiliang) (30%)	3.5 1.5	Dah Chong Hong Motors (China) Limited	100%	Subsidiary
22. 廣州眾協汽車貿易有限公司 (Guangzhou Zhongxie Motors Trading Limited)	28 September 2003	10	湛江市駿凱汽車技術服務有限公司 (Zhangjiang Junkai Motors Technology and Service Limited) (80%) 仲玉林 (Zhong Yulin) (20%)	– 2	Dah Chong Hong Motors (China) Limited	100%	Subsidiary
23. 廣東大昌行喜龍二手車交易市場有限公司 （Formerly known as 廣東通達舊機動車交易市場經營有限公司） (Guangdong Dah Chong Hong-Blissful Dragon Used Motors Trading Limited (Formerly known as Guangdong Tongda Used Automobiles Trading Limited))	31 October 2003	19.22	蔡兆敏 (Cai Zhaomin) (22.68%)	4.36	Dah Chong Hong Motors (China) Limited	39.695% (note 6)	Associate
24. 東莞市東昌汽車銷售服務有限公司 (Dongguan Dongchang Motors Sale and Service Limited) (note 7)	4 September 2001	10	蔡兆敏 (Cai Zhaomin) (77.50%)	7.75	Dah Chong Hong Motors (China) Limited	77.5%	Jointly controlled entity
25. 深圳市深昌汽車貿易有限公司 (Shenzhen Shenchang Motors Trading Limited)	5 September 2003	5	蔡兆敏 (Cai Zhaomin) (50%) 仲玉林 (Zhong Yulin) (50%)	2.5 2.5	Dah Chong Hong Motors (China) Limited	100%	Subsidiary
26. 廣州合駿汽車貿易有限公司 (Guangzhou Hejun Motors Trading Limited)	18 August 2000	10	程濟美 (Cheng Jimei) (56.50%) 仲玉林 (Zhong Yulin) (33.50%) 湛江市駿凱汽車技術服務有限公司 (Zhanjiang Junkai Motors Technology and Service Limited) (10%)	5.65 3.35 –	Dah Chong Hong Motors (China) Limited	100%	Subsidiary
27. 湛江市駿浩汽車有限公司 (Zhanjiang Junhao Motors Limited)	18 April 2003	5	蔡兆敏 (Cai Zhaomin) (50%) 仲玉林 (Zhong Yulin) (50%)	2.5 2.5	Dah Chong Hong Motors (China) Limited	100%	Subsidiary
28. 廣東日產汽車貿易有限公司 (Guangdong Nissan Motors Trading Limited)	15 August 2000	10	王靜芬 (Wang Jingfen) (50%)	5	Dah Chong Hong Motors (Nissan-China) Limited	50%	Jointly controlled entity
29. 福州合創汽車貿易有限公司 (Fuzhou Hechuang Motors Trading Limited)	21 April 2004	10	蔡兆敏 (Cai Zhaomin) (80%) 仲玉林 (Zhong Yulin) (20%)	8 2	Reliance Motors, Limited	100%	Subsidiary
30. 錫林郭勒大昌行肉業有限公司 (Xilinguole Dah Chong Hong Meat Industry Limited) (note 7)	9 June 2007	1	上海大昌行食品工業有限公司 (Shanghai DCH Food Industries Ltd.) (90%) 楊福祥 (Yang Fuxiang) (10%)	– 0.1	Dah Chong Hong (China) Limited	100%	Subsidiary

Name of OPCOs	Date of establishment of OPCOs	Registered capital[note 11] (RMB million)	Name of Registered Owner(s)/Owner(s) and shareholding	Amount of loan advanced under the Contractual Arrangements Agreement(s) (RMB million)	Name of Holding Subsidiary	Group's attributable interests	Subsidiary/ Associate/Jointly controlled entity
31. 江門大昌行供應鏈管理有限公司 (Jiangmen DCH Supply Chain Management Co., Ltd)	14 March 2006	1	上海宏圖電器有限公司 (Shanghai Vision Electrical Appliances Co., Ltd.) (90%) 江門大昌貿易行有限公司 (Dah Chong Hong (Jiangmen) Limited) (10%)	0.9 0.1	DCH Supply Chain Management Company Limited	100%	Subsidiary
32. 江門市合禮汽車銷售服務有限公司 (Jiangmen Heli Motors Sale and Service Limited)	13 September 2006	20	江門市寶昌汽車銷售服務有限公司 (Jiangmen Baochang Motors Sale and Service Limited) (10%) 江門市美昌汽車貿易有限公司 (Jiangmen Meichang Motors Trading Limited)[note 8] (75%)	– 15	江門市寶昌汽車銷售服務有限公司 (Jiangmen Baocheng Motors Sale and Service Limited)	85%	Subsidiary
33. 廣州賓利汽車貿易有限公司 (Bentley Guangzhou Motor Trading Limited)	22 October 2007	10	上海賓利汽車銷售有限公司 (Bentley Shanghai Motor Sales Ltd) (51%) 蔡兆敏 (Cai Zhaomin) (49%)	– 4.9	DCH Motors (Bentley) Limited	100%	Subsidiary
34. 佛山駿安豐田汽車銷售服務有限公司 (Foshan Junan Toyota Motors Sale and Service Limited) [note 9]	7 August 2007	10	廣州廣保豐田汽車銷售服務有限公司 (Guangzhou Guangbao Toyota Motors Sale and Service Limited) (99%) 盧敏燕 (Lu Minyan) (1%)	– 0.1	廣州廣保豐田汽車銷售服務有限公司 (Guangzhou Guangbao Toyota Motors Sale and Service Limited)	49%[note 10]	Subsidiary
35. 廣州駿佳凌志汽車銷售服務有限公司 (Guangzhou Junjia Lexus Motors Sale and Service Limited) [note 9]	24 March 2004	10	Mak Hing Lung (55%)	5.5	Profit Paradise Investments Limited	27.5%	Subsidiary
36. 廣州廣保豐田汽車銷售服務有限公司 (Guangzhou Guangbao Toyota Motors Sale and Service Limited) [note 9]	9 January 1997	15	湛江市駿華豐田汽車銷售服務有限公司 (Zhanjiang Junhua Toyota Motors Sale and Service Limited) (49%) Mak Hing Lung (51%)	7.35 7.65	Sunny Linker Development Limited	49%[note 10]	Subsidiary
37. 佛山駿安大發汽車銷售服務有限公司 (Foshan Junan Daihatsu Motors Sale and Service Limited) [note 9]	12 December 2008	2	廣州廣保豐田汽車銷售服務有限公司 (Guangzhou Guangbao Toyota Motors Sale and Service Limited) (1%) 佛山駿安豐田汽車銷售服務有限公司 (Foshan Junan Toyota Motors Sale and Service Limited) (99%)	0.02 –	佛山駿安豐田汽車銷售服務有限公司 (Foshan Junan Toyota Motors Sale and Service Limited)	49%[note 10]	Subsidiary

Notes:

1. There was a change of Registered Owner during the year.
2. The registered capital was increased during the year.
3. The Registered Owner of 上海眾泰汽車銷售有限公司 (Shanghai Zhongtai Motor Sales Limited) was changed from PRC nationals to 上海眾鈴汽車銷售服務有限公司 (Shanghai Zhongling Motor Sale and Service Limited) during the year.
4. The increased registered capital was injected by 寧波眾鈴汽車貿易有限公司 (Ningbo Zhongling Motors Trading Limited) as to RMB4,000,000 and 昆明合運汽車貿易有限公司 Kunming Heyun Motor Trading Co., Ltd. as to RMB1,000,000.
5. Converted into wholly foreign owned enterprise during the year.
6. The Group's attributable interest was increased by 17.015% in this OPCO during the year through the acquisition of a 34.03% interest in this OPCO by a jointly controlled entity of the Group.
7. Dissolved during the year.

8. This Registered Owner is not a natural person because of the commercial agreement between the joint venture parties.

9. This was a new OPCO acquired/formed during the year.

10. The Group holds 50% economic interest.

11. Total investment amount is not applicable to each OPCO mentioned above.

The independent non-executive directors have reviewed the Contractual Arrangements and confirmed that (i) the terms of the subsisting Contractual Arrangements have remained unchanged, (ii) the transactions carried out during the year remained consistent with the relevant provisions of the Contractual Arrangements as disclosed in the Prospectus, (iii) any dividends or other distributions declared by OPCOs have been paid to the members of the Group in Hong Kong or PRC acting as the intermediate holding company (the "Holding Subsidiary") and not to the Registered Owners and (iv) the new Contractual Arrangements entered into during 2008 were fair and reasonable so far as the Group was concerned and in the interests of the shareholders of the Company as a whole.

The auditors of the Company have confirmed that the Contractual Arrangements listed above have received the approval of the Board of Directors of the Company, the transactions carried out under the Contractual Arrangements have been entered into in accordance with the relevant agreements in place governing each arrangement, the terms of the agreements are in agreement with that set out in the section headed "Business — Contractual Arrangements" of the Prospectus, and that no dividends were declared by OPCOs for the year ended 31 December 2008.

Share Option Plans

Pre-IPO Share Option Scheme

The Company adopted the Pre-IPO Share Option Scheme (the "Pre-IPO Scheme") on 28 September 2007. The major terms of the Pre-IPO Scheme are as follows:

1. The purpose of the Pre-IPO Scheme is to attract and retain the best quality personnel for the development of the Company's businesses; to provide additional incentives to the employees and to promote the long term success of the Company.

2. The participants of the Pre-IPO Scheme are any employee of the Group as the Board may in its absolute discretion select.

3. The maximum number of shares over which options may be granted under the Pre-IPO Scheme shall not exceed 18,000,000 shares, being 1% of the total number of issued shares immediately following the commencement of dealings of the Company's shares on the Stock Exchange.

4. The grantee shall not, within six months from the listing of the Company, exercise any of the options granted under the Pre-IPO Scheme.

5. The exercise period of any option granted under the Pre-IPO Scheme must not be more than five years commencing on the date of grant.

6. The acceptance of an offer of the grant of the option must be made within 28 days from the date of grant with a non-refundable payment of HK$1 from the grantee.

7. The subscription price shall be HK$5.88 per share which is equal to the initial public offer price of the Company's shares upon listing.

8. No options will be offered or granted under the Pre-IPO Scheme upon the commencement of dealings in the Company's shares on the Stock Exchange.

Since the adoption of the Pre-IPO Scheme, the Company has granted one lot of options before the listing of the Company:

Date of grant	Number of options	Exercise price per share HK$
3 October 2007	18,000,000	5.88

All options granted and accepted fully vested on the date of grant but have a lock-up period of six months from the listing of the Company and are then exercisable in whole or in part within five years from the date of grant.

None of the options granted under the Pre-IPO Scheme were exercised or cancelled but options for 600,000 shares have lapsed during the year.

A summary of the movements of options during the year ended 31 December 2008 is as follows:

1. Directors of the Company

				Number of options					
Name of director	Date of grant	Exercise period	Exercise price per share HK$	Balance as at 1.1.08	Granted during the year ended 31.12.08	Lapsed during the year ended 31.12.08	Cancelled/ Exercised during the year ended 31.12.08	Balance as at 31.12.08	Percentage to the issued share capital
Hui Ying Bun	3.10.07	17.4.08-2.10.12	5.88	1,700,000	–	–	–	1,700,000	0.095%
Chu Hon Fai	3.10.07	17.4.08-2.10.12	5.88	1,200,000	–	–	–	1,200,000	0.067%
Yip Moon Tong	3.10.07	17.4.08-2.10.12	5.88	1,000,000	–	–	–	1,000,000	0.056%
Mak Kwing Tim	3.10.07	17.4.08-2.10.12	5.88	800,000	–	–	–	800,000	0.044%
Lau Sei Keung	3.10.07	17.4.08-2.10.12	5.88	800,000	–	–	–	800,000	0.044%
Tsoi Tai Kwan, Arthur	3.10.07	17.4.08-2.10.12	5.88	800,000	–	–	–	800,000	0.044%
Glenn Robert Sturrock Smith	3.10.07	17.4.08-2.10.12	5.88	500,000	–	–	–	500,000	0.028%
Chan Kin Man, Andrew (Note)	3.10.07	17.4.08-2.10.12	5.88	500,000	–	500,000	–	–	0.000%

Note: Mr. Chan Kin Man, Andrew resigned as a director of the Company with effect from 16 July 2008.

2. **Employees of the Company working under continuous contracts (as defined in the Employment Ordinance), other than the Directors**

			Number of options					
Date of grant	Exercise period	Exercise price per share HK$	Balance as at 1.1.08	Granted during the year ended 31.12.08	Lapsed during the year ended 31.12.08	Cancelled/ Exercised during the year ended 31.12.08	Balance as at 31.12.08	Percentage to the issued share capital
3.10.07	17.4.08-2.10.12	5.88	10,700,000	–	100,000	–	10,600,000	0.590%

Post-IPO Share Option Scheme

The Company adopted the Post-IPO Share Option Scheme (the "Post-IPO Scheme") on 28 September 2007. The major terms of the Post-IPO Scheme are as follows:

1. The purpose of the Post-IPO Scheme is to attract and retain the best quality personnel for the development of the Company's businesses; to provide additional incentives to the employees and to promote the long term success of the Company.

2. The participants of the Post-IPO Scheme are any employee of the Group as the Board may in its absolute discretion select.

3. The maximum number of shares over which options may be granted under the Post-IPO Scheme and any other schemes of the Company shall not in aggregate exceed 10% of (i) the shares in issue of the Company immediately following the commencement of dealings in the Company's shares on the Stock Exchange or (ii) the shares in issue of the Company from time to time, whichever is the lower. As at 23 March 2009, the maximum number of shares available for issue under the Post-IPO Scheme is 161,783,300, representing approximately 9% of the issued share capital of the Company. Options lapsed in accordance with the terms of the Post-IPO Scheme or any other schemes of the Company will not be counted for the purpose of calculating the 10% limit.

4. The total number of shares issued and to be issued upon exercise of options (whether exercised or outstanding) in any 12-month period granted to each grantee must not exceed 1% of the shares of the Company in issue.

5. The exercise period of any option granted under the Post-IPO Scheme must not be more than ten years commencing on the date of grant.

6. The acceptance of an offer of the grant of the option must be made within 28 days from the date of grant with a non-refundable payment of HK$1 from the grantee.

7. The subscription price determined by the Board will not be less than whichever is the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company.

8. The Post-IPO Scheme shall be valid and effective till 27 September 2017, after which no further options will be granted.

The Company has not granted any options under the Post-IPO Scheme.

Directors' Interests In Securities

The interests of the directors in shares of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as at 31 December 2008 as recorded in the register required to be kept under section 352 of the SFO were as follows:

1. Shares in the Company

Name of director	Number of shares Personal interests unless otherwise stated	Percentage to the issued share capital
Hui Ying Bun	716,000	0.040%
Chu Hon Fai	250,000	0.014%
Yip Moon Tong	300,000 (Note 1)	0.017%
Mak Kwing Tim	200,000	0.011%
Lau Sei Keung	500,000	0.028%
Tsoi Tai Kwan, Arthur	121,000 (Note 2)	0.007%
Glenn Robert Sturrock Smith	50,000	0.003%

Notes:

1. Jointly held with his spouse.

2. Interest by attribution in respect of 1,000 shares and personal interest in respect of 120,000 shares.

2. Shares in an associated corporation, CITIC Pacific Limited

Name of director	Number of shares Personal interests	Percentage to the issued share capital
Hui Ying Bun	337,000	0.00924%
Chu Hon Fai	193,000	0.00529%
Mak Kwing Tim	5,000	0.00014%
Lau Sei Keung	1,000	0.00003%
Tsoi Tai Kwan, Arthur	18,000	0.00049%
Chan Chui Sheung, Stella	5,000	0.00014%

3. Shares in an associated corporation, China CITIC Bank Corporation Limited

Name of director	Number of shares Personal interests	Percentage to the issued share capital
Cheung Kin Piu, Valiant	912,000	0.007%

4. Options in the Company

The interests of the directors in the options (being regarded as unlisted physically settled equity derivatives) of the Company are stated in details in the preceding section of Share Option Plans.

5. Options in an associated corporation, CITIC Pacific Limited

Name of director	Date of grant	Exercise period	Exercise price per share HK$	Number of options: Balance as at 1.1.08	Granted during the year ended 31.12.08	Lapsed/ Cancelled/ Exercised during the year ended 31.12.08	Balance as at 31.12.08	Percentage to the issued share capital
Hui Ying Bun	1.11.2004	1.11.2004-31.10.2009	19.90	300,000	–	–	300,000	
	20.6.2006	20.6.2006-19.6.2011	22.10	300,000	–	–	300,000	
							600,000	0.016%
Chu Hon Fai	1.11.2004	1.11.2004-31.10.2009	19.90	200,000	–	–	200,000	
	20.6.2006	20.6.2006-19.6.2011	22.10	200,000	–	–	200,000	
							400,000	0.011%
Chan Chui Sheung, Stella	16.10.2007	16.10.2007-15.10.2012	47.32	600,000	–	–	600,000	0.016%
Kwok Man Leung	16.10.2007	16.10.2007-15.10.2012	47.32	600,000	–	–	600,000	0.016%

Note: These options were granted by CITIC Pacific Limited, a holding company of the Company.

Save as disclosed above, as at 31 December 2008, none of the directors of the Company had nor were they taken to or deemed to have, under Part XV of the SFO, any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations or any interests which are required to be entered into the register kept by the Company pursuant to section 352 of the SFO or any interests which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules.

Substantial Shareholders

As at 31 December 2008, the interests of the substantial shareholders in the shares of the Company as recorded in the register of interests in shares and short positions required to be kept under section 336 of the SFO were as follows:

Name	Number of shares of the Company	Percentage to the issued share capital
CITIC Group	1,054,800,000	58.67%
CITIC Pacific Limited	1,018,800,000	56.67%
Davenmore Limited	1,018,800,000	56.67%
Colton Pacific Limited	800,922,200	44.55%
Chadacre Developments Limited	245,102,000	13.63%
Ascari Holdings Ltd.	217,877,800	12.12%
Cornaldi Enterprises Limited	95,317,400	5.30%

Ascari Holdings Ltd. was deemed to be interested in 217,877,800 shares through Silver Ray Enterprises Inc. as to 55,877,800 shares, Grogan Inc. as to 81,000,000 shares, Greenlane International Holdings Inc. as to 81,000,000 shares.

Colton Pacific Limited beneficially held 378,802,200 shares and was deemed to be interested in 422,120,000 additional shares held by Chadacre Developments Limited as to 245,102,000 shares, Cornaldi Enterprises Limited as to 95,317,400 shares, Corton Enterprises Limited as to 54,467,000 shares, Dashing Investments Limited as to 13,616,800 shares and Karaganda Limited as to 13,616,800 shares.

Davenmore Limited was deemed to be interested in 1,018,800,000 shares as Colton Pacific Limited and Ascari Holdings Ltd. were its wholly owned subsidiary companies.

CITIC Pacific Limited was deemed to be interested in 1,018,800,000 shares as Davenmore Limited was its wholly owned subsidiary company.

CITIC Group was deemed to be interested in 1,054,800,000 shares through its non-wholly owned subsidiary CITIC Pacific Limited as to 1,018,800,000 shares and its wholly owned subsidiary Hainsworth Limited as to 36,000,000 shares.

Arrangement for Acquisition of Shares or Debentures

Other than the option holdings disclosed above, at no time during the year was the Company, its holding companies, or any of its subsidiary companies or fellow subsidiary companies, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Share Capital

During the year ended 31 December 2008, the Company made the following repurchases of its own shares on the Stock Exchange:

	Number of shares repurchased	Price per share		Total paid
		Highest	Lowest	
		HK$	HK$	HK$
January 2008	702,000	2.40	2.31	1,654,860
June 2008	304,000	2.20	2.11	662,750
July 2008	1,161,000	2.25	2.12	2,525,970
Total	2,167,000			4,843,580

The repurchased shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The premium payable on repurchase was charged against retained profits. An amount equivalent to the nominal value of the shares cancelled of HK$325,050 was transferred from retained profits to capital redemption reserve during the year ended 31 December 2008.

Save as disclosed above, neither the Company nor any of its subsidiary companies purchased or sold any of the Company's shares during the year ended 31 December 2008 and the Company did not redeem any of its shares during the year ended 31 December 2008.

Service Contracts

As at 31 December 2008, there were no service contracts which were not determinable by the employer within one year without payment of compensation (other than statutory compensation) between any company in the Group and any director proposed for re-election at the forthcoming Annual General Meeting.

Auditors

The financial statements for the year have been audited by KPMG who shall retire and, being eligible, shall offer themselves for re-appointment. A resolution for the re-election of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting of the Company.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the directors, the directors confirm that the Company maintained the amount of public float as required under the Listing Rules during the year ended 31 December 2008.

By order of the Board
Hui Ying Bun *Chairman*
Hong Kong, 23 March 2009

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the shareholders of
Dah Chong Hong Holdings Limited
(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Dah Chong Hong Holdings Limited ("the Company") set out on pages 74 to 146, which comprise the consolidated and Company balance sheets as at 31 December 2008 and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibilities for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

23 March 2009

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

HK$ million	Note	**2008**	2007
Turnover	4	**19,496**	16,050
Cost of sales		**(16,785)**	(13,705)
Gross profit		**2,711**	2,345
Net valuation (loss)/gain on investment properties	15(a)	**(3)**	127
Other income	6	**263**	242
Selling and distribution expenses		**(1,237)**	(1,121)
Administrative expenses		**(883)**	(882)
Profit from operations		**851**	711
Finance costs	7(a)	**(132)**	(61)
Share of (losses)/profits of associates		**(11)**	2
Share of profits of jointly controlled entities	21(b)	**64**	53
Profit before taxation	7	**772**	705
Income tax	8	**(190)**	(165)
Profit from continuing operations		**582**	540
Discontinued operations			
Loss from discontinued operations	11(a)	**–**	(18)
Profit for the year		**582**	522
Attributable to:			
Shareholders of the Company		**563**	515
Minority interests		**19**	7
		582	522
Dividends	13	**169**	938
Basic and diluted earnings/(losses) per share	14		
From continuing and discontinued operations (HK cents)		**31.30**	31.07
From continuing operations (HK cents)		**31.30**	32.18
From discontinued operations (HK cents)		**–**	(1.11)

CONSOLIDATED BALANCE SHEET

At 31 December 2008

HK$ million	Note	**2008**	2007
Non-current assets			
Fixed assets	15(a)		
– Property, plant and equipment		**1,634**	810
– Investment properties		**910**	786
		2,544	1,596
Lease prepayments	16	**270**	160
Intangible assets	17	**241**	42
Goodwill	18	**282**	169
Interest in associates	20	**148**	138
Interest in jointly controlled entities	21	**234**	165
Other financial assets	22	**5**	37
Deferred tax assets	31(a)	**58**	27
		3,782	2,334
Current assets			
Inventories	23	**2,691**	1,947
Trade and other receivables	24	**3,047**	2,871
Current tax recoverable		**14**	6
Cash and bank deposits	25	**1,643**	1,653
		7,395	6,477
Current liabilities			
Borrowings	26		
– secured		**475**	328
– unsecured		**1,914**	1,067
Trade and other payables	27	**2,816**	2,192
Current tax payable		**82**	85
		5,287	3,672
Net current assets		**2,108**	2,805
Total assets less current liabilities		**5,890**	5,139

CONSOLIDATED BALANCE SHEET

At 31 December 2008

HK$ million	Note	**2008**	2007
Non-current liabilities			
Borrowings	26		
– secured		**–**	2
– unsecured		**520**	550
Deferred tax liabilities	31(a)	**200**	196
		720	748
Net assets		**5,170**	4,391
Capital and reserves	32		
Share capital		**270**	270
Reserves		**4,595**	4,012
Total equity attributable to shareholders of the Company		**4,865**	4,282
Minority interests		**305**	109
Total equity		**5,170**	4,391

Approved and authorised for issue by the board of directors on 23 March 2009.

Hui Ying Bun
Director

Yip Moon Tong
Director

BALANCE SHEET

At 31 December 2008

HK$ million	Note	**2008**	2007
Non-current assets			
Investment properties	15(b)	**166**	167
Investment in subsidiaries	19	**19**	19
		185	186
Current assets			
Trade and other receivables	24	**2,524**	1,767
Cash and bank deposits	25	**400**	856
		2,924	2,623
Current liabilities			
Bank loans – unsecured	26	**30**	50
Trade and other payables	27	**149**	243
Current tax payable		**–**	3
		179	296
Net current assets		**2,745**	2,327
Total assets less current liabilities		**2,930**	2,513
Non-current liabilities			
Bank loans – unsecured	26	**520**	550
Deferred tax liabilities	31(a)	**15**	14
		535	564
Net assets		**2,395**	1,949
Capital and reserves	32		
Share capital		**270**	270
Reserves		**2,125**	1,679
Total equity		**2,395**	1,949

Approved and authorised for issue by the board of directors on 23 March 2009.

Hui Ying Bun
Director

Yip Moon Tong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

HK$ million	Share capital	Share premium	General reserve	Capital reserve	Statutory surplus reserve	Merger reserve	Share option reserve	Exchange fluctuation reserve	Asset revaluation reserve	Hedging reserve	Fair value reserve	Retained profits	Total	Minority interests	Total equity
	Attributable to shareholders of the Company														
Note	(32(c))	(32(e)(i))	(32(e)(ii))	(32(e)(iii))	(32(e)(iv))	(32(e)(v))	(32(e)(vi))	(32(e)(vii))	(32(e)(viii))	(32(e)(ix))	(32(e)(x))				
At 1 January 2007	210	–	238	137	9	1	–	178	2	3	119	2,758	3,655	108	3,763
Capitalisation issue (Note 32(c)(i))	33	–	–	–	–	–	–	–	–	–	–	–	33	–	33
Share issued under the global offering (Note 32(c)(ii))	27	1,031	–	–	–	–	–	–	–	–	–	–	1,058	–	1,058
Share issuing costs	–	(55)	–	–	–	–	–	–	–	–	–	–	(55)	–	(55)
Capital injection by minority shareholders	–	–	–	–	–	–	–	–	–	–	–	–	–	1	1
Acquisition of interests from minority shareholders	–	–	–	–	–	–	–	–	–	–	–	–	–	(11)	(11)
Disposal of interests to minority shareholders	–	–	–	–	–	–	–	–	–	–	–	–	–	(4)	(4)
Exchange differences on translation of the financial statements of entities outside Hong Kong:															
– subsidiaries	–	–	–	–	–	–	–	73	–	–	–	–	73	8	81
– associates and jointly controlled entities	–	–	–	–	–	–	–	10	–	–	–	–	10	–	10
Share-based payments	–	–	–	–	–	–	27	–	–	–	–	–	27	–	27
Cash flow hedge: transfer from equity to initial carrying amount of non-financial hedged items	–	–	–	–	–	–	–	–	–	(3)	–	–	(3)	–	(3)
Disposal of subsidiaries	–	–	–	–	–	–	–	(2)	–	–	–	–	(2)	–	(2)
Disposal of associates	–	–	(3)	6	–	–	–	(2)	–	–	–	(11)	(10)	–	(10)
Transfer from retained profits	–	–	2	–	11	–	–	–	–	–	–	(13)	–	–	–
Changes in fair value of available-for-sale equity securities	–	–	–	–	–	–	–	–	–	–	139	–	139	–	139
Disposal of available-for-sale equity securities	–	–	–	–	–	–	–	–	–	–	(258)	–	(258)	–	(258)
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	515	515	7	522
Dividends (Note 13)	–	–	–	–	–	–	–	–	–	–	–	(900)	(900)	–	(900)
At 31 December 2007	270	976	237	143	20	1	27	257	2	–	–	2,349	4,282	109	4,391

	Attributable to shareholders of the Company												
HK$ million	Share capital	Share premium	General reserve	Capital reserve	Statutory surplus reserve	Merger reserve	Share option reserve	Exchange fluctuation reserve	Asset revaluation reserve	Retained profits	Total	Minority interests	Total equity
Note	(32(c))	(32(e)(i))	(32(e)(ii))	(32(e)(iii))	(32(e)(iv))	(32(e)(v))	(32(e)(vi))	(32(e)(vii))	(32(e)(viii))				
At 1 January 2008	270	976	237	143	20	1	27	257	2	2,349	4,282	109	4,391
Purchase of own shares													
– premium paid	–	–	–	–	–	–	–	–	–	(5)	(5)	–	(5)
Capital injection by minority shareholders	–	–	–	–	–	–	–	–	–	–	–	1	1
Minority interests arising from acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	174	174
Acquisition of interests from minority shareholders	–	–	–	–	–	–	–	–	–	–	–	(2)	(2)
Exchange differences on translation of the financial statements of entities outside Hong Kong:													
– subsidiaries	–	–	–	–	–	–	–	171	–	–	171	5	176
– associates and jointly controlled entities	–	–	–	–	–	–	–	8	–	–	8	–	8
Cancellation of share options	–	–	–	–	–	–	(1)	–	–	1	–	–	–
Transfer from retained profits	–	–	2	–	6	–	–	–	–	(8)	–	–	–
Profit for the year	–	–	–	–	–	–	–	–	–	563	563	19	582
Dividends (Note 13)	–	–	–	–	–	–	–	–	–	(154)	(154)	(1)	(155)
At 31 December 2008	270	976	239	143	26	1	26	436	2	2,746	4,865	305	5,170

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

HK$ million	Note	**2008**	2007
Operating activities			
Profit/(loss) before taxation			
– From continuing operations		**772**	705
– From discontinued operations		**–**	(18)
		772	687
Adjustments for:			
– Net valuation loss/(gain) on investment properties		**3**	(127)
– Depreciation and amortisation		**189**	166
– Impairment loss on amount due from an associate		**–**	3
– Provision/(reversal) of impairment loss on trade receivables		**22**	(2)
– Impairment loss on amount due from a jointly controlled entity		**1**	8
– Impairment loss on fixed assets		**2**	–
– Impairment loss on intangible assets		**1**	–
– Losses on construction contracts		**–**	8
– Finance costs		**132**	61
– Dividend income from listed investment		**–**	(4)
– Interest income		**(27)**	(53)
– Share of losses/(profits) of associates		**11**	(2)
– Share of profits of jointly controlled entities		**(64)**	(53)
– Share-based payments		**–**	27
– Net gain on disposal of fixed assets		**–**	(4)
– Net gain on disposal of subsidiaries		**–**	(2)
– Net gain on disposal of associates		**–**	(2)
– Net gain on disposal of jointly controlled entities		**(9)**	(1)
– Net gain on disposal of certain assets and novation of certain business contracts		**(16)**	(33)
– Net gain on disposal of unlisted investments		**(1)**	–
– Net gain on acquisition of subsidiaries		**(3)**	–
– Foreign exchange loss		**44**	49
Operating profit before changes in working capital		**1,057**	726
Increase in inventories		**(213)**	(418)
Decrease/(increase) in trade and other receivables		**402**	(583)
Decrease in gross amount due from customers for contract work		**–**	30
(Decrease)/increase in trade and other payables		**(626)**	506
Increase in gross amount due to customers for contract work		**–**	13
Cash generated from operations		**620**	274
Tax paid:			
– Hong Kong Profits Tax paid		**(72)**	(54)
– Hong Kong Profits Tax refunded		**3**	3
– Taxation outside Hong Kong paid		**(158)**	(50)
Net cash generated from operating activities		**393**	173

HK$ million	Note	2008	2007
Investing activities			
Payment for purchase of fixed assets		**(466)**	(298)
Payment for purchase of lease prepayments		**(14)**	(24)
Proceeds from disposal of fixed assets		**40**	76
Proceeds from disposal of certain assets and novation of certain business contracts		**16**	33
Acquisition of interests from minority shareholders		**(2)**	(13)
Capital injection by minority shareholders		**1**	–
Advances to associates		**(24)**	(15)
Capital injection to associates		**(18)**	(16)
Repayment of amounts due from jointly controlled entities		**3**	65
Advances to jointly controlled entities		**–**	(3)
Capital injection to jointly controlled entities		**(15)**	(10)
Net cash outflow from purchase of subsidiaries	33	**(210)**	–
Net cash inflow/(outflow) from disposal of subsidiaries		**1**	(22)
Interest received		**27**	53
Dividend received from listed investments		**–**	4
Dividend received from jointly controlled entities		**24**	55
Proceeds from disposal of a jointly controlled entity		**4**	1
Proceeds from disposal of unlisted investments		**41**	4
Repayment from a fellow subsidiary		**23**	242
Increase in deposits with banks		**(102)**	(71)
Net cash (used in)/generated from investing activities		**(671)**	61
Financing activities			
Proceeds from loans		**3,120**	3,917
Repayment of loans		**(2,752)**	(2,889)
Payment for repurchase of shares		**(5)**	–
Proceeds from capitalisation issue		**–**	33
Proceeds from the global offering		**–**	1,058
Share issuing costs		**–**	(55)
Proceeds from issuance of shares to minority shareholders		**–**	1
Advances from minority shareholders		**73**	–
Repayment to ultimate holding company		**–**	(514)
Interest paid		**(132)**	(61)
Dividends paid to shareholders of the Company		**(154)**	(900)
Dividends paid to minority shareholders		**(1)**	–
Net cash generated from financing activities		**149**	590
Net (decrease)/increase in cash and cash equivalents		**(129)**	824
Cash and cash equivalents at 1 January		**1,554**	697
Effect of foreign exchange rates changes		**39**	33
Cash and cash equivalents at 31 December	25	**1,464**	1,554

Major non-cash transactions:

(a) As part of the disposal of Dah Chong Hong (Engineering) Limited and its subsidiaries (collectively known as "DCH Engineering Group") during the year ended 31 December 2007, the loans to DCH Engineering Group of HK$45 million were assigned to CITIC Pacific Limited at a consideration of HK$45 million.

(b) As part of the disposal of an associate during the year ended 31 December 2007, the loans to the associate of HK$24 million were assigned to fellow subsidiaries of the Group at a consideration of HK$24 million.

NOTES TO THE FINANCIAL STATEMENTS

1. Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). A summary of the significant accounting policies adopted by the Group is set out below.

The adoption of the following new accounting standards, amendments and interpretations does not have any significant effect on the accounting policies or the results and financial position of the Group:

HK(IFRIC) - Interpretation 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) - Interpretation 12	Service Concession Arrangements

(b) Basis of preparation

The measurement basis used in the preparation of the financial statements is the historical cost basis except as otherwise stated in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 3.

(c) Subsidiaries and minority interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

1. Significant accounting policies (continued)

(c) Subsidiaries and minority interests (continued)

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

In the Company's balance sheet, investment in subsidiaries is stated at cost less impairment losses (see note 1(l)).

(d) Associates and jointly controlled entities

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group and other parties, where the contractual arrangement establishes that the Group and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's or the jointly controlled entity's net assets. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associates and jointly controlled entities for the year.

When the Group's share of losses exceeds its interest in the associate or the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued. For this purpose, the Group's interest in the associate or the jointly controlled entity is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the associate or jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

1. Significant accounting policies (continued)

(e) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate or a jointly controlled entity over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 1(l)).

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate or a jointly controlled entity is recognised immediately in profit or loss.

In accordance with the transitional arrangements under HKFRS 3, *Business Combination*, goodwill which had previously been taken directly to reserve (i.e. goodwill which arose before 1 January 2001) will not be recognised in profit or loss on disposal or impairment of the acquired business, or under other circumstances.

(f) Other investments in equity securities

The Group's and the Company's policies for investments in equity securities, other than investments in subsidiaries, associates and jointly controlled entities, are as follows:

Investments in equity securities are initially stated at cost, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

- investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 1(l)).
- other investments in securities are classified as available-for-sale securities. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised directly in equity. Dividend income from these investments is recognised in profit or loss in accordance with the accounting policy set out in note 1(u)(vii). When these investments are derecognised or impaired (see note 1(l)), the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or on the date of expiry.

(g) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in the profit and loss account.

1. Significant accounting policies (continued)

(h) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(k)) to earn rental income and/or for capital appreciation. These include land held for currently undetermined future use.

Investment properties are stated in the balance sheet at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 1(u)(v).

When the Group or the Company holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it was held under a finance lease (see note 1(k)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 1(k).

(i) Property, plant and equipment

The following items of property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 1(l)):

- freehold land and buildings;
- land held under operating leases and buildings thereon, where the fair values of the leasehold interest in the land and buildings cannot be measured separately at the inception of the lease and the building is not clearly held under an operating lease (see note 1(k));
- buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception of the lease (see note 1(k)); and
- other items of plant and equipment.

Properties that are being constructed or developed for future use are classified as construction in progress within property, plant and equipment and stated at cost until construction or development is complete, at which time they are reclassified as land and buildings held for own use.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

1. Significant accounting policies (continued)

(i) Property, plant and equipment (continued)

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method or reducing balance basis over their estimated useful lives as follows:

- freehold land is not depreciated.
- buildings situated on freehold land are depreciated on a straight-line basis over their estimated useful life, being no more than 50 years after the date of completion.
- buildings situated on leasehold land are depreciated on a straight line basis over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion.
- motor vehicles held for use under operating leases are depreciated on a reducing balance basis at 30% per annum.
- other plant and equipment are depreciated on a straight line basis over their estimated useful lives of 4 to 10 years.

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately.

Both the useful life of an asset and its residual value, if any, are reviewed annually.

(j) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group with a finite estimated useful economical life are stated in the balance sheet at cost less accumulated amortisation and impairment losses (see note 1(l)).

Amortisation of intangible assets is charged to profit or loss on a straight line basis over the assets' estimated useful lives as follows:

Car dealerships	20 years
Others	4 –11 years

Both the period and method of amortisation are reviewed annually.

1. Significant accounting policies (continued)

(k) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys rights to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

- property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and
- land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee, or at the date of construction of those buildings, if later.

(ii) Operating lease charges

Where the Group has the using rights of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight line basis over the period of the lease term except where the property is classified as an investment property (see note 1(h)).

(l) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities (other than investments in subsidiaries, associates and jointly controlled entities: see note 1(l)(ii)) and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

If any event or change in circumstances indicate that the carrying amount may not be recoverable, an impairment loss is determined and recognised as follows:

- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

1. Significant accounting policies (continued)

(l) Impairment of assets (continued)

(i) Impairment of investments in equity securities and other receivables (continued)

- For trade and other current receivable and other financial assets carried at cost or amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.
- For available-for-sale securities, the cumulative loss that has been recognised directly in equity is removed from equity and is recognised in profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

  Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- pre-paid interests in leasehold land classified as being held under an operating lease;
- intangible assets;
- investments in subsidiaries, associates and jointly controlled entities; and
- goodwill.

1. Significant accounting policies (continued)

(l) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the profit or loss in the year in which the reversals are recognised.

(m) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated on first-in-first-out, specific identification or weighted average basis as appropriate and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is offset against the expenses in the period in which the reversal occurs.

1. Significant accounting policies (continued)

(n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 1(l)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(o) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(p) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(t)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(r) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The fair value of share options granted to employees of the Group by CITIC Pacific Limited ("CITIC Pacific"), under the CITIC Pacific Share Incentive Plan 2000 ("the Plan"), is recognised as an employee cost with a corresponding increase in amount due to CITIC Pacific as the employee cost will be settled in cash by the Group. The fair value of share options granted to employees of the Group pursuant to the Company's pre-IPO share option scheme is recognised as an employee cost with a corresponding increase in share option reserve within equity.

The fair value is measured at the grant date using applicable option-pricing models, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

1. Significant accounting policies (continued)

(r) Employee benefits (continued)

(ii) Share-based payments (continued)

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the amount due to CITIC Pacific and share option reserve for the share options granted by CITIC Pacific and the Company respectively. On the vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest except where forfeiture is only due to not achieving vesting conditions that relate to the market price of CITIC Pacific's and the Company's shares. For the share options granted by the Company, the equity amount is recognised in the share option reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(s) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

1. Significant accounting policies (continued)

(s) Income tax (continued)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable rights to set off current tax assets against current tax liabilities.

(t) Financial guarantees issued, provision and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee ("the holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's accounting policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

(ii) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

1. Significant accounting policies (continued)

(t) Financial guarantees issued, provision and contingent liabilities (continued)

(ii) Provisions and contingent liabilities (continued)

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(u) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sales of motor vehicles

Revenue arising from the sale of motor vehicles is recognised when the registration document is issued or on delivery of motor vehicles, whichever is earlier, which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes any government taxes and is after deduction of any trade discounts.

(ii) Sales of foodstuff and consumer products

Revenue arising from the sale of foodstuff and consumer products is recognised on delivery of goods to customers. Revenue is after deduction of any trade discounts.

(iii) Repairing services income

Revenue arising from repairing services is recognised when the relevant service is rendered without further performance obligations.

(iv) Logistics service income and other related services income

Revenue arising from logistics service and other related services is recognised when the service is rendered to customers.

(v) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(vi) Commission income, subsidy income and rebate

Commission income, subsidy income and rebate is recognised at the time when the goods concerned are sold to customers.

(vii) Dividends

Dividend income from unlisted investments is recognised when the shareholder's rights to receive payment is established. Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(viii) Interest income

Interest income is recognised as it accrues using the effective interest method.

1. Significant accounting policies (continued)

(v) Translation of foreign currencies

The functional currency of the Company and subsidiaries which operate in Hong Kong is Hong Kong dollars while that for subsidiaries which operate in the Mainland China and overseas is in their respective local currencies. The presentation currency of the Group is Hong Kong dollars.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised directly in equity.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transactions dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of operations outside Hong Kong are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on consolidation of operations outside Hong Kong acquired on or after 1 January 2005, are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity. Goodwill arising on consolidation of an operation outside Hong Kong acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the operation outside Hong Kong.

On disposal of an operation outside Hong Kong, the cumulative amount of the exchange differences recognised in equity which relate to that operation outside Hong Kong is included in the calculation of the profit or loss on disposal.

(w) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred.

(x) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs when the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the income statement, which comprises:

- the post-tax profit or loss of the discontinued operation; and
- the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

1. Significant accounting policies (continued)

(y) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(z) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

1. Significant accounting policies (continued)

(aa) Business combinations involving entities under common control

On 29 June 2007, the Group acquired from a wholly-owned subsidiary of CITIC Pacific, the entire equity interests in Yee Lim Godown & Cold Storage Limited for a cash consideration of HK$12.6 million. The control is not transitory and, consequently, there was a continuation of the risks and benefits to the controlling party, and therefore this is considered a business combination under common control and that Accounting Guideline 5, *Merger Accounting for Common Control Combinations*, issued by the HKICPA is applied for this transaction. The financial statements have been prepared using the merger basis of accounting as if the enlarged group had always been in existence.

The net assets of the consolidating entities are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the consolidating entities from the earliest date presented or since the date when consolidating entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

2. Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2008

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2008 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations are expected to be in the period of initial application. So far it is concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

In addition, the following developments may result in new or amended disclosures in the financial statements:

HKAS 1 (Revised)	Presentation of financial statements
HKAS 23 (Revised)	Borrowing costs
HKAS 27 (Revised)	Consolidated and separate financial statements
HKFRS 3 (Revised)	Business combinations
HKFRS 8	Operating segments
HK(IFRIC) - Interpretation 13	Customer loyalty programmes

3. Accounting estimates and judgements

The methods, estimates and judgements the directors used in applying the Group's accounting policies have a significant impact on the Group's financial position and operating results. Some of the accounting policies require the Group to apply estimates and judgements, on matters that are inherently uncertain. The critical accounting judgements in applying the Group's accounting policies are described below:

(a) Provision for warranties

As explained in note 28, the Group makes provisions under the warranties it gives on sale of products taking into account the Group's recent claim experience. As the manufacturers are continually upgrading its product designs and launching new models, it is possible that the recent claim experience is not indicative of future claims that the Group will receive in respect of past sales. Any increase or decrease in the provision would affect profit or loss in future years.

(b) Valuation of investment properties

As described in note 15, the investment properties were revalued by independent professional qualified valuers on an open market value basis at each balance sheet date. Such valuations are based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. Any increase or decrease in the valuations would affect the Group's results in future years.

(c) Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are transactions during the ordinary course of business, for which calculation of the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

Recognition of deferred tax assets, which principally related to tax losses, depends on the management's expectation of future taxable profit that will be available against which the tax losses can be utilised. The outcome of their actual utilisation may be different.

(d) Impairment of assets

The Group reviews the carrying amounts of the assets at each balance sheet date to determine whether there is objective evidence of impairment. When indication of impairment is identified, management prepares discounted future cash flows to assess the differences between the carrying amount and value in use and provides for impairment loss. Any change in the assumptions adopted in the cash flow forecasts would increase or decrease the provision of impairment loss and affect the Group's net asset value.

Impairment loss for bad and doubtful debts are assessed and provided based on the directors' regular review of ageing analysis and evaluation of collectibility. A considerable level of judgement is exercised by the directors when assessing the credit worthiness and past collection history of each individual customer. An increase or decrease in the above impairment loss would affect profit or loss in future years.

(e) Provision for inventories

The Group reviews the carrying amounts of the inventories at each balance sheet date to determine whether the inventories are carried at lower of cost and net realisable value as in accordance with accounting policy set out in note 1(m). Management estimates the net realisable value based on current market situation and historical experience on similar inventories. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down and affect the Group's net asset value.

3. Accounting estimates and judgements (continued)

(f) Depreciation and amortisation

Property, plant and equipment and intangible assets, other than investment properties, are depreciated and amortised on a straight line basis or reducing balance basis over the estimated useful lives. The Group reviews annually the useful life of an asset and its residual value, if any. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimation.

(g) Fair value of assets acquired and liabilities assumed upon acquisition

In connection with acquisition of subsidiaries and associates, the assets acquired and liabilities assumed are adjusted to their estimated fair values on the date of acquisition. The determination of the values of assets acquired and liabilities assumed involves management's judgement and assumptions. Any change in such judgement and assumptions would affect the fair value of assets acquired and liabilities assumed.

4. Turnover

The principal activities of the Group are motor vehicles sales, motor vehicle related business and services, sales of food and consumer products, as well as logistics services. Others mainly represents property investment and other non-core operations.

Turnover represents the sales value of goods supplied and services rendered to customers. An analysis of turnover is as follows:

HK$ million	**2008**	2007
Continuing operations		
Motor and Motor Related Business	**12,790**	10,175
Food and Consumer Products Business	**6,428**	5,626
Logistics Business	**194**	176
Others	**84**	73
	19,496	16,050
Discontinued operations		
Revenue from construction contracts (Note 11(a))	**–**	40
Total	**19,496**	16,090

5. Segment reporting

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

(a) Business segments

HK$ million	Motor and Motor Related Business 2008	Food and Consumer Products Business 2008	Logistics Business 2008	Others 2008	Inter-segment elimination 2008	Total 2008
Turnover						
External customers	12,790	6,428	194	84	–	19,496
Inter-segment revenue	10	–	101	48	(159)	–
Total	12,800	6,428	295	132	(159)	19,496
Segment results	718	184	17	59	–	978
Net valuation loss on investment properties						(3)
Unallocated operating income and expenses						(124)
Profit from operations						851
Finance costs						(132)
Share of (losses)/profits of:						
– associates	(1)	(10)	–	–	–	(11)
– jointly controlled entities	7	53	–	4	–	64
Profit before taxation						772
Income tax						(190)
Profit for the year						582
Depreciation and amortisation	121	42	15	11	–	189
Impairment losses provided						
– trade receivables	–	22	–	–	–	22
– fixed assets	1	1	–	–	–	2
– intangible assets	1	–	–	–	–	1
Net write-down/(reversal of write-down) of inventories	17	(14)	–	–	–	3
Segment assets	4,297	3,084	382	1,153	(44)	8,872
Interest in associates	21	127	–	–	–	148
Interest in jointly controlled entities	74	129	–	31	–	234
Unallocated assets						1,923
Total assets						11,177
Segment liabilities	1,780	889	27	128	(44)	2,780
Unallocated liabilities						3,227
Total liabilities						6,007
Capital expenditure	202	52	118	108	–	480

5. Segment reporting (continued)

(a) Business segments (continued)

HK$ million	Motor and Motor Related Business 2007	Food and Consumer Products Business 2007	Logistics Business 2007	Others 2007	Inter-segment elimination 2007	Total 2007
Turnover						
External customers	10,175	5,626	176	73	–	16,050
Inter-segment revenue	8	–	92	35	(135)	–
Total	10,183	5,626	268	108	(135)	16,050
Segment results	483	149	17	54	–	703
Net valuation gain on investment properties						127
Unallocated operating income and expenses						(119)
Profit from operations						711
Finance costs						(61)
Share of (losses)/profits of:						
– associates	(1)	3	–	–	–	2
– jointly controlled entities	–	49	–	4	–	53
Profit before taxation						705
Income tax						(165)
Profit for the year from continuing operations						540
Depreciation and amortisation	116	26	10	14	–	166
Impairment losses (reversed)/provided on trade receivables	(4)	2	–	–	–	(2)
Net write-down of inventories	23	13	–	–	–	36
Segment assets	3,298	2,076	338	860	(44)	6,528
Interest in associates	7	131	–	–	–	138
Interest in jointly controlled entities	43	97	–	25	–	165
Unallocated assets						1,980
Total assets						8,811
Segment liabilities	1,385	722	49	73	(44)	2,185
Unallocated liabilities						2,235
Total liabilities						4,420
Capital expenditure	223	28	101	9	–	361

5. Segment reporting (continued)

(b) Geographical segments

The Group's business is classified under three major geographical segments: Hong Kong and Macao, Mainland China and overseas. Overseas mainly represents Japan, Canada and Singapore.

Segment turnover is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

An analysis of the Group's turnover and assets by geographical areas are as follows:

	Hong Kong and Macao		Mainland China		Overseas	
HK$ million	**2008**	2007	**2008**	2007	**2008**	2007
Turnover	**7,785**	6,520	**9,770**	7,637	**1,941**	1,893
Segment assets	**3,054**	2,948	**4,622**	2,072	**1,196**	1,508
Capital expenditure	**177**	224	**298**	133	**5**	4

6. Other income

HK$ million	**2008**	2007
Continuing operations		
Commission income, subsidy income and rebate	**160**	89
Interest income from:		
– Bank deposits	**25**	49
– Others	**2**	4
Dividend income from listed investments	**–**	4
Net gain on disposal of certain assets and novation of certain business contracts	**16**	33
Net gain on disposal of fixed assets	**–**	4
Net exchange (loss)/gain	**(7)**	6
Net fair value (loss)/gain of foreign exchange forward contracts	**(16)**	9
Net gain on disposal of subsidiaries	**–**	2
Net gain on disposal of associates	**–**	2
Net gain on disposal of jointly controlled entities	**9**	1
Net gain on disposal of unlisted investments	**1**	–
Net gain on acquisition of subsidiaries (Note 33)	**3**	–
Sales of accessories	**19**	6
Others	**51**	33
Total	**263**	242

7. Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

HK$ million	2008	2007
(a) Finance costs		
Continuing operations		
Interest on bank advances and other borrowings wholly repayable within five years	**132**	61
(b) Staff costs		
Continuing operations		
Contributions to defined contribution retirement plans	**65**	62
Share-based payments	**–**	27
Salaries, wages and other benefits	**1,302**	1,129
	1,367	1,218
Discontinued operations		
Salaries, wages and other benefits	**–**	7
Total	**1,367**	1,225
(c) Other items		
Continuing operations		
Amortisation:		
– lease prepayments	**6**	4
– intangible assets	**5**	5
Depreciation	**178**	157
Impairment losses provided/(reversed):		
– trade receivables	**22**	(2)
– amount due from a jointly controlled entity	**1**	8
– amount due from an associate	**–**	3
– fixed assets	**2**	–
– intangible assets	**1**	–
Net gain on realised foreign exchange forward contracts	**(24)**	(9)
Auditors' remuneration	**16**	11
Operating lease charges in respect of properties	**304**	283
Rental income from investment properties less direct outgoings of HK$22 million (2007: HK$13 million)	**(32)**	(32)
Discontinued operations		
Losses on construction contracts	**–**	8

8. Income tax

Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) on the estimated assessable profit for the year. Overseas taxation is calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates. Tax provisions are reviewed regularly to take into account changes in legislation, practice and status of negotiations.

(a) Income tax charge represents:

HK$ million	**2008**	2007
Continuing operations		
Current income tax – Hong Kong Profits Tax		
– Provision for the year	**63**	55
– Under/(over)-provision in previous years	**2**	(2)
	65	53
Current income tax – Outside Hong Kong		
– Provision for the year	**144**	86
– Under-provision in previous years	**4**	5
	148	91
Deferred tax		
– Origination and reversal of temporary differences	**(20)**	24
– Effect of change in tax rate	**(3)**	(3)
	(23)	21
Total	**190**	165

(i) Taxation payable in the balance sheet is expected to be settled within one year.

(ii) No provision for Hong Kong Profits Tax was made for the discontinued operations as the companies had sustained tax losses for the year ended 31 December 2007.

(b) Reconciliation between income tax expense and profit before taxation at applicable tax rates:

HK$ million	**2008**	2007
Profit/(loss) before taxation:		
– from continuing operations	**772**	705
– from discontinued operations	**–**	(18)
	772	687
Tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**150**	131
Effect of change in tax rate	**(3)**	(3)
Tax effect of non-deductible expenses	**43**	34
Tax effect of non-taxable income	**(30)**	(28)
Tax effect of utilisation of previously unrecognised tax losses	**(3)**	(9)
Tax effect of unused tax losses not recognised	**22**	20
Tax effect of unrecognised deductible temporary differences	**5**	–
Recognition of deferred tax liabilities of undistributed profits (Note 31(a))	**–**	17
Under-provision in previous years	**6**	3
Income tax expense	**190**	165

9. Directors' remuneration

Directors' remuneration for the year ended 31 December 2008 is set out below:

HK$ thousand	Directors' fees	Salaries, allowances and other benefits	Discretionary bonuses	Contributions to defined contribution retirement schemes	Sub-total	Share-based payments	Total
Executive directors							
Hui Ying Bun	120	2,006	5,325	177	7,628	–	7,628
Chu Hon Fai	120	1,729	2,270	156	4,275	–	4,275
Yip Moon Tong	120	1,618	4,370	150	6,258	–	6,258
Mak Kwing Tim	120	1,604	3,604	144	5,472	–	5,472
Lau Sei Keung	120	1,524	2,239	138	4,021	–	4,021
Tsoi Tai Kwan, Arthur	120	1,524	2,129	138	3,911	–	3,911
Glenn Robert Sturrock Smith	120	2,569	1,159	69	3,917	–	3,917
Chan Kin Man, Andrew (Note (i))	65	811	–	32	908	–	908
Non-executive directors							
Ho Hau Hay, Hamilton	120	–	–	–	120	–	120
Chan Chui Sheung, Stella	120	–	–	–	120	–	120
Kwok Man Leung	120	–	–	–	120	–	120
Chau Chi Yin (Note (ii))	96	–	–	–	96	–	96
Independent non-executive directors							
Cheung Kin Piu, Valiant	120	120	–	–	240	–	240
Hsu Hsung, Adolf	120	120	–	–	240	–	240
Yeung Yue Man	120	120	–	–	240	–	240
Total	1,721	13,745	21,096	1,004	37,566	–	37,566

Notes:

(i) Resigned on 16 July 2008.

(ii) Resigned on 20 October 2008.

9. Directors' remuneration (continued)

Directors' remuneration for the year ended 31 December 2007 is set out below:

HK$ thousand	Directors' fees	Salaries, allowances and other benefits	Discretionary bonuses	Contributions to defined contribution retirement schemes	Sub-total	Share-based payments (Note)	Total
Executive directors							
Hui Ying Bun	35	1,720	4,260	148	6,163	2,567	8,730
Chu Hon Fai	35	1,506	2,880	134	4,555	1,812	6,367
Yip Moon Tong	35	1,307	2,720	125	4,187	1,510	5,697
Mak Kwing Tim	35	1,516	2,400	136	4,087	1,208	5,295
Lau Sei Keung	35	1,197	1,710	113	3,055	1,208	4,263
Tsoi Tai Kwan, Arthur	35	1,235	1,640	113	3,023	1,208	4,231
Glenn Robert Sturrock Smith	35	2,678	1,020	68	3,801	755	4,556
Chan Kin Man, Andrew	35	1,016	830	50	1,931	755	2,686
Non-executive directors							
Ho Hau Hay, Hamilton	35	–	–	–	35	–	35
Chau Chi Yin	35	–	–	–	35	–	35
Chan Chui Sheung, Stella	35	–	–	–	35	–	35
Kwok Man Leung	35	–	–	–	35	–	35
Independent non-executive directors							
Cheung Kin Piu, Valiant	35	31	–	–	66	–	66
Hsu Hsung, Adolf	35	31	–	–	66	–	66
Yeung Yue Man	35	31	–	–	66	–	66
Directors resigned before the listing							
Yung Chi Kin, Larry	–	29	–	–	29	–	29
Fan Hung Ling, Henry	–	–	–	–	–	–	–
Lee Chung Hing, Peter	–	8	–	–	8	–	8
Total	525	12,305	17,460	887	31,177	11,023	42,200

Note: A number of the directors were granted share options of CITIC Pacific and the Company. Details of the share option plans are set out in note 30.

10. Individuals with highest emoluments

The five highest paid individuals of the Group for the years ended 31 December 2007 and 2008 are also the directors of the Company, whose emoluments are disclosed in note 9.

11. Discontinued operations

On 29 June 2007, the Group's operations in provision of construction works were discontinued following the disposal of DCH Engineering Group to a wholly-owned subsidiary of CITIC Pacific at the carrying value. The disposal has resulted in a net gain of HK$2 million for the year ended 31 December 2007.

(a) The results of the discontinued operations for the year ended 31 December 2007 were as follows:

HK$ million	2007
Turnover	40
Cost of sales	(51)
Gross loss	(11)
Selling and distribution expenses	(1)
Administrative expenses	(6)
Loss from discontinued operations	(18)

(b) The cash flows of the discontinued operations for the year ended 31 December 2007 were as follows:

HK$ million	2007
Net cash generated from operating activities	9
Net cash used in investing activities	(9)
Net cash used in financing activities	(5)
Decrease in cash and cash equivalents	(5)

12. Profit attributable to shareholders of the Company

The consolidated profit attributable to shareholders of the Company includes a profit of HK$489 million (2007: HK$95 million) which has been dealt with in the financial statements of the Company. The Company's current year profit included a dividend income of HK$116 million (2007: Nil) which are paid out from the subsidiaries' prior years profit.

13. Dividends

(a) Dividends attributable to the year are as follows:

HK$ million	**2008**	2007
Interim dividend declared and paid of 6.43 HK cents per share (2007: HK$0.56 per share)	**116**	900
Final dividend proposed after the balance sheet date of 2.95 HK cents per share (2007: 2.13 HK cents per share)	**53**	38
Total	**169**	938

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

13. Dividends (continued)

(b) Dividends attributable to the previous year, approved and paid during the year are as follows:

HK$ million	**2008**	2007
2007 final dividend approved and paid of 2.13 HK cents per share	**38**	–

14. Basic and diluted earnings/(losses) per share

(a) Basic earnings/(losses) per share

(i) The calculation of basic earnings per share for the year ended 31 December 2008 is based on the profit attributable to shareholders of the Company of HK$563 million and the weighted average of 1,798,610,109 ordinary shares.

The calculation of basic earnings/(losses) per share for the year ended 31 December 2007 is as follows:

	Continuing operations	**Discontinued operations**	**Total**
Profit/(loss) attributable to shareholders of the Company	HK$533 million	HK$(18) million	HK$515 million
Weighted average of ordinary shares after adjusting for capitalisation issue in 2007 (Note 14(a)(ii))	1,657,479,452 shares	1,657,479,452 shares	1,657,479,452 shares
Basic earnings/(losses) per share	32.18 HK cents	(1.11) HK cents	31.07 HK cents

(ii) ***Weighted average number of ordinary shares***

	Number of ordinary shares	
	2008	2007
Issued ordinary shares at 1 January	**1,800,000,000**	21,031,837
Effect of shares repurchased	**(1,389,891)**	–
Effect of capitalisation issue (Note 32(c))	**–**	1,598,968,163
Effect of shares issued under the global offering	**–**	37,479,452
Weighted average number of ordinary shares	**1,798,610,109**	1,657,479,452

(b) Diluted earnings/(losses) per share

The diluted earnings/(losses) per share for the year ended 31 December 2007 and 2008 are not presented as the potential ordinary shares in respect of outstanding share options are anti-dilutive.

15. Fixed assets

(a) Group

HK$ million	Land and buildings held for own use	Construction in progress	Others	Sub-total	Investment properties	Total
Note			15(c)			
Cost or valuation:						
At 1 January 2008	**537**	**52**	**1,189**	**1,778**	**786**	**2,564**
Exchange adjustments	**12**	**3**	**1**	**16**	**88**	**104**
Additions	**124**	**82**	**258**	**464**	**2**	**466**
Acquisition of subsidiaries (Note 33)	**422**	**6**	**269**	**697**	**37**	**734**
Transfers	**29**	**(35)**	**6**	**–**	**–**	**–**
Disposals	**(1)**	**–**	**(151)**	**(152)**	**–**	**(152)**
Disposal of subsidiaries	**–**	**–**	**(1)**	**(1)**	**–**	**(1)**
Fair value adjustment	**–**	**–**	**–**	**–**	**(3)**	**(3)**
At 31 December 2008	**1,123**	**108**	**1,571**	**2,802**	**910**	**3,712**
Representing:						
Cost	**1,123**	**108**	**1,571**	**2,802**	**–**	**2,802**
Valuation	**–**	**–**	**–**	**–**	**910**	**910**
At 31 December 2008	**1,123**	**108**	**1,571**	**2,802**	**910**	**3,712**
Accumulated depreciation and impairment:						
At 1 January 2008	**140**	**–**	**828**	**968**	**–**	**968**
Exchange adjustments	**2**	**–**	**–**	**2**	**–**	**2**
Charge for the year	**29**	**–**	**149**	**178**	**–**	**178**
Impairment loss	**1**	**–**	**1**	**2**	**–**	**2**
Acquisition of subsidiaries (Note 33)	**44**	**–**	**86**	**130**	**–**	**130**
Written back on disposals	**–**	**–**	**(112)**	**(112)**	**–**	**(112)**
At 31 December 2008	**216**	**–**	**952**	**1,168**	**–**	**1,168**
Net book value:						
At 31 December 2008	**907**	**108**	**619**	**1,634**	**910**	**2,544**

15. Fixed assets (continued)

(a) Group (continued)

HK$ million	Land and buildings held for own use	Construction in progress	Others	Sub-total	Investment properties	Total
Note			15(c)			
Cost or valuation:						
At 1 January 2007	387	13	1,152	1,552	707	2,259
Exchange adjustments	23	1	25	49	21	70
Additions	117	38	182	337	–	337
Transfers:						
– among fixed assets	10	–	(5)	5	(5)	–
– to lease prepayments (Note 16)	–	–	–	–	(64)	(64)
Disposals	–	–	(160)	(160)	–	(160)
Disposal of subsidiaries	–	–	(5)	(5)	–	(5)
Fair value adjustment	–	–	–	–	127	127
At 31 December 2007	537	52	1,189	1,778	786	2,564
Representing:						
Cost	537	52	1,189	1,778	–	1,778
Valuation	–	–	–	–	786	786
At 31 December 2007	537	52	1,189	1,778	786	2,564
Accumulated depreciation and impairment:						
At 1 January 2007	116	–	771	887	–	887
Exchange adjustments	5	–	10	15	–	15
Charge for the year	19	–	138	157	–	157
Written back on disposals	–	–	(88)	(88)	–	(88)
Disposal of subsidiaries	–	–	(3)	(3)	–	(3)
At 31 December 2007	140	–	828	968	–	968
Net book value:						
At 31 December 2007	397	52	361	810	786	1,596

(b) Company

HK$ million	Investment properties **2008**	2007
At valuation:		
At 1 January	**167**	53
Additions	**–**	81
Fair value adjustment	**(1)**	33
At 31 December	**166**	167

(c) Other fixed assets comprise cargo lighters, computer installations, motor vehicles, plant, machinery, furniture, fixtures and equipment.

15. Fixed assets (continued)

(d) Properties valuations

All investment properties of the Group and the Company were revalued as at 31 December 2008 by independent professional qualified valuers on an open market value basis by making reference to comparable market transactions and where appropriate on the basis of the capitalisation of the net rental income with due allowance for the reversionary income potential. Details of the independent professional qualified valuers are as follows:

Investment properties located in	Name of valuers
Hong Kong	Knight Frank Petty Limited
Mainland China	Knight Frank Petty Limited
Japan	Tekko Building Co., Limited

(e) The analysis of net book value of properties is as follows:

	Group		Company	
HK$ million	**2008**	2007	**2008**	2007
Investment properties				
In Hong Kong:				
– Long term lease	**399**	401	**51**	53
– Medium term lease	**–**	–	**115**	114
Outside Hong Kong:				
– Freehold properties	**471**	379	**–**	–
– Medium term lease	**40**	6	**–**	–
At 31 December	**910**	786	**166**	167
Other properties				
In Hong Kong:				
– Long term lease	**5**	5	**–**	–
– Medium term lease	**98**	98	**–**	–
– Short term lease	**16**	20	**–**	–
Outside Hong Kong:				
– Freehold properties	**49**	48	**–**	–
– Long term lease	**119**	10	**–**	–
– Medium term lease	**594**	192	**–**	–
– Short term lease	**26**	24	**–**	–
At 31 December	**907**	397	**–**	–

(f) Certain buildings situated in Mainland China with an aggregate net book value of HK$346 million (2007: HK$154 million) as at 31 December 2008 are built on land owned by the Group or leased from third parties in respect of which the Group is in the process of applying for property ownership certificates from the relevant authorities. Notwithstanding this, the directors are of the opinion that the Group has the rights to use these buildings during the year.

(g) Fixed assets leased out under operating leases

The Group leases out investment properties and a number of items of other properties, plant and equipment under operating leases. The leases typically run for an initial period of one to ten years, with an option to renew the lease after that date at which time all the terms are renegotiated. None of the leases includes contingent rentals.

15. Fixed assets (continued)

(g) Fixed assets leased out under operating leases (continued)

All properties held under operating leases that would otherwise meet the definition of investment properties are classified as investment properties.

The Group's total future minimum lease income under non-cancellable operating leases are receivable as follows:

	Group	
HK$ million	**2008**	2007
Within 1 year	**66**	61
After 1 year but within 5 years	**55**	67
After 5 years	**3**	5
At 31 December	**124**	133

16. Lease prepayments

	Group	
HK$ million	**2008**	2007
Cost:		
At 1 January	**169**	72
Exchange adjustments	**9**	9
Additions	**14**	24
Acquisition of subsidiaries (Note 33)	**96**	–
Transfer from investment properties (Note 15(a))	**–**	64
At 31 December	**288**	169
Accumulated amortisation:		
At 1 January	**9**	5
Charge for the year	**6**	4
Acquisition of subsidiaries (Note 33)	**3**	–
At 31 December	**18**	9
Net book value:		
At 31 December	**270**	160

An analysis of net book value of lease prepayments is as follows:

	Group	
HK$ million	**2008**	2007
Outside Hong Kong:		
– Long term lease	**22**	21
– Medium term lease	**248**	139
At 31 December	**270**	160

The lease prepayments of the Group represent cost of the land use rights in respect of land located in Mainland China and Singapore. The remaining period of the land use rights of the Group ranges from 33 to 65 years.

A parcel of land of the Group with an aggregate net book value of HK$22 million (2007: HK$21 million) as at 31 December 2008 is in the process of applying for land use rights from relevant authorities. Notwithstanding this, the directors are of the opinion that the Group has the rights to use the land during the year.

17. Intangible assets

Group

HK$ million	2008 Car dealerships	2008 Others	2008 Total	2007 Car dealerships
Cost:				
At 1 January	**49**	**–**	**49**	45
Exchange adjustments	**1**	**–**	**1**	4
Acquisition of subsidiaries (Note 33)	**189**	**15**	**204**	–
At 31 December	**239**	**15**	**254**	49
Accumulated amortisation and impairment:				
At 1 January	**7**	**–**	**7**	2
Charge for the year	**5**	**–**	**5**	5
Impairment loss	**1**	**–**	**1**	–
At 31 December	**13**	**–**	**13**	7
Net book value:				
At 31 December	**226**	**15**	**241**	42

The Group's intangible assets mainly represent car dealerships. The dealership agreements were entered into with various vehicle manufacturers acquired from independent third parties. The dealership agreements do not include a specified contract period or termination arrangement. The management estimated the useful life of these rights by making reference to the operating life granted. The amortisation charge for the year is included in "administrative expenses" in the consolidated income statement.

18. Goodwill

HK$ million	Group 2008	Group 2007
Cost and carrying amount:		
At 1 January	**169**	169
Acquisition of subsidiaries (Note 33)	**113**	–
At 31 December	**282**	169

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units ("CGU") identified according to place of operation and business segment as follows:

HK$ million	2008	2007
Motor and Motor Related Business – Mainland China	**81**	–
Food and Consumer Products Business – Hong Kong	**170**	169
– Mainland China	**31**	–

18. Goodwill (continued)

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

Key assumptions used for value-in-use calculations:

	Motor and Motor Related Business	Food and Consumer Products Business	
	2008	**2008**	2007
	%	**%**	%
Gross margin	**6.65**	**14.68**	15.10
Growth rate	**8.24**	**14.11**	13.50
Discount rate	**16.72**	**16.30**	16.56

Management determined the budgeted gross margin based on past performance and its expectation for market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

19. Investment in subsidiaries

	Company	
HK$ million	**2008**	2007
Unlisted shares, at cost	**19**	19

Details of the Company's principal subsidiaries are set out in note 39.

20. Interest in associates

	Group	
HK$ million	**2008**	2007
Share of net assets	**148**	138

20. Interest in associates (continued)

(a) Particulars of associates

The following are the principal associates of the Group which, in the opinion of the directors, principally affect the results and net assets of the Group. To give details of other associates would in the opinion of the directors result in particulars of excessive length.

Name of associate	Place of incorporation/ operation	Registered and paid-in capital	Proportion of equity interest held by the Group %	Proportion of equity interest held by a subsidiary %	Principal activities
大冢慎昌(廣東)飲料有限公司 Otsuka Sims (Guangdong) Beverage Co., Ltd.	The People's Republic of China	US$10,000,000	40.00	40.00	Production of beverage
上海雙匯大昌泰森有限公司 (Shanghai Shineway DCH Tyson Co., Ltd.) (Note)	The People's Republic of China	RMB194,750,000	26.04	40.00	Production and sales of meat and related food products
廣州龍的豐田汽車銷售服務有限公司(Guangzhou Longde Toyota Motors Sale and Service Limited) (Note)	The People's Republic of China	RMB25,000,000	34.30	70.00	Distribution of motor vehicle

Note: The official name of the company is in Chinese. The English translation is for reference only.

In September 2008, the Group acquired a 25% equity interest in 廣州龍的豐田汽車銷售服務有限公司 (Guangzhou Longde Toyota Motors Sale and Service Limited) ("Guangzhou Longde") through a non-wholly-owned subsidiary.

In December 2008, the subsidiary further injected capital of RMB15 million into Guangzhou Longde whereby increased the subsidiary's equity interest in Guangzhou Longde from 25% to 70%. As the subsidiary does not have effective control over Guangzhou Longde, it has been accounted for as an associate.

(b) Summary of financial information on associates

HK$ million	**2008**	2007
Assets	**1,129**	2,476
Liabilities	**(701)**	(2,133)
Revenue	**1,394**	1,107
Profit after taxation	**42**	8

21. Interest in jointly controlled entities

	Group	
HK$ million	**2008**	2007
Share of net assets	**234**	165

21. Interest in jointly controlled entities (continued)

(a) Particulars of jointly controlled entities

The following are the principal jointly controlled entities of the Group which, in the opinion of the directors, principally affect the results and net assets of the Group. To give details of other jointly controlled entities would in the opinion of the directors result in particulars of excessive length.

Name of jointly controlled entity	Place of incorporation/ operation	Authorised/ registered/paid-in/ issued capital	Proportion of equity interest held by the Group %	Proportion of equity interest held by a subsidiary %	Principal activities
北京中遠大昌汽車服務有限公司 COSCO – DCH (Beijing) Motor Services Co., Ltd.	The People's Republic of China	Registered and paid-in capital of RMB80,000,000	50.00	50.00	Motor vehicle leasing
北京鳳凰大昌航空設備維修有限公司 (DAS Nordisk Phoenix Aviation Equipment Limited) (Note)	The People's Republic of China	Registered and paid-in capital of RMB4,000,000	24.50	50.00	Manufacture and distribution of air cargo equipment and related spare parts
上海東實航空地面設備有限公司 (Shanghai China Eastern Aero-Equipment Engineering Co., Ltd.) (Note)	The People's Republic of China	Registered and paid-in capital of RMB4,000,000	24.50	50.00	Manufacture and distribution of air cargo equipment and related spare parts
Shiseido Dah Chong Hong Cosmetics Limited	Hong Kong	Authorised and issued share capital of HK$123,000,001 at HK$1 each	50.00	50.00	Trading of cosmetic products
北京北汽眾運汽車貿易有限公司 (Beijing Beiqi Zhongyun Motor Trading Co., Ltd.) (Note)	The People's Republic of China	Registered and paid-in capital of RMB28,000,000	50.00	50.00	Property investment

Note: The official name of the company is in Chinese. The English translation is for reference only.

(b) Summary of financial information on jointly controlled entities – the Group's effective interest

HK$ million	**2008**	2007
Non-current assets	**138**	113
Current assets	**333**	268
Non-current liabilities	**(3)**	(2)
Current liabilities	**(234)**	(214)
Net assets	**234**	165
Income	**706**	692
Expenses	**(628)**	(626)
Profit before taxation	**78**	66
Income tax	**(14)**	(13)
Profit after taxation	**64**	53

22. Other financial assets

HK$ million	Group 2008	2007
Available-for-sale equity securities		
– Unlisted at 31 December	**5**	37

(a) An amount of HK$5 million (2007: HK$5 million) included in the unlisted equity securities as at 31 December 2008 is carried at cost. Management considers that the fair value of these securities cannot be measured reliably as quoted prices are not available.

(b) As at 31 December 2007, included in the unlisted equity securities of the Group was an investment in a leveraged aircraft lease of HK$32 million. During the year, the leveraged aircraft lease expired and a net gain of HK$1 million was recognised in the consolidated income statement.

23. Inventories

(a) Inventories in the consolidated balance sheet represent:

HK$ million	Group 2008	2007
Finished goods	**2,555**	1,947
Raw materials	**92**	–
Work-in-progress	**44**	–
At 31 December	**2,691**	1,947

(b) The analysis of the amount of inventories recognised as an expense is as follows:

HK$ million	Group 2008	2007
Carrying amount of inventories sold	**16,133**	13,114
Write-down of inventories	**28**	44
Reversal of write-down of inventories	**(25)**	(8)
Total	**16,136**	13,150

The reversal of write-down of inventories arose due to an increase in the estimated net realisable value of certain merchandise, mainly motor vehicles, as a result of a change in consumer preferences.

24. Trade and other receivables

HK$ million	Group 2008	Group 2007	Company 2008	Company 2007
Trade debtors and bills receivable	**1,509**	1,588	**–**	–
Less: impairment loss for doubtful debts	**(45)**	(23)	**–**	–
	1,464	1,565	**–**	–
Other receivables, deposits and prepayments	**1,373**	1,037	**1**	1
Amounts due from subsidiaries (Note 24(f))	**–**	–	**2,523**	1,766
Amounts due from fellow subsidiaries (Note 24(d))	**1**	25	**–**	–
Amounts due from associates (Note 24(d))	**27**	90	**–**	–
Amounts due from jointly controlled entities (Note 24(e))	**181**	138	**–**	–
Derivative financial instruments	**1**	16	**–**	–
At 31 December	**3,047**	2,871	**2,524**	1,767

The amount of the Group's trade and other receivables expected to be recovered after more than one year is HK$46 million (2007: HK$17 million). The remaining balances of trade and other receivables (including amounts due from group companies, associates and jointly controlled entities) are expected to be recovered within one year.

(a) Ageing analysis

At the balance sheet date, the ageing analysis of trade debtors and bills receivable based on the invoice date (net of impairment loss for doubtful debts) is as follows:

HK$ million	Group 2008	Group 2007
Within 3 months	**1,323**	1,488
More than 3 months but less than 1 year	**106**	44
Over 1 year	**35**	33
At 31 December	**1,464**	1,565

The Group grants credit to its customers of the major business segments as below:

Business segments	**Credit terms in general**
Motor and Motor Related Business	Cash on delivery to 90 days
Food and Consumer Products Business	15 to 90 days
Logistics Business	30 to 60 days

24. Trade and other receivables (continued)

(b) Impairment of trade debtors and bills receivable

The movements in the provision for impairment loss for doubtful debts during the year are as follows:

	Group	
HK$ million	**2008**	2007
At 1 January	**23**	35
Exchange adjustments	**3**	1
Uncollectible amounts written off	**(3)**	(3)
Disposal of subsidiaries	**–**	(8)
Impairment loss provided/(reversed)	**22**	(2)
At 31 December	**45**	23

At 31 December 2008, the Group's trade debtors and bills receivable of HK$31 million (2007: HK$10 million) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a small portion of the receivables is expected to be recoverable. Consequently, specific provision for impairment loss for doubtful debts of HK$31 million (2007: HK$9 million) was recognised. The Group does not hold any collateral over these balances.

(c) Trade debtors and bills receivable that are not impaired

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Included in the Group's trade debtors and bills receivable are balances with a carrying amount of HK$165 million (2007: HK$162 million) as at 31 December 2008 which are past due as at the balance sheet date but not impaired. These relate to a number of individual customers for whom there is no recent history of default. The ageing analysis of these trade debtors and bills receivable as of the balance sheet date is as follows:

	Group	
HK$ million	**2008**	2007
Overdue for 1 to 3 months	**130**	150
Overdue for more than 3 months but less than 1 year	**28**	8
Overdue over 1 year	**7**	4
At 31 December	**165**	162

(d) The amounts due from fellow subsidiaries and associates of the Group are unsecured, interest-free and recoverable on demand.

(e) The amounts due from jointly controlled entities are unsecured, interest-free and recoverable on demand, except for an amount of HK$1.3 million (2007: HK$0.5 million) which is interest bearing at 1 week HIBOR per annum (2007: fixed interest rate of 6.12% per annum).

(f) The amounts due from subsidiaries of the Company are unsecured, interest-free and recoverable on demand, except for an amount of HK$1,141 million (2007: HK$1,239 million) which is interest bearing at 1 week HIBOR per annum for the years ended 31 December 2007 and 2008.

25. Cash and cash equivalents

HK$ million	Group 2008	Group 2007	Company 2008	Company 2007
Bank deposits	**597**	878	**399**	855
Cash at bank and on hand	**1,046**	775	**1**	1
Cash and bank deposits	**1,643**	1,653	**400**	856
Less:				
Bank deposits with maturity over three months from date of deposit	**–**	(7)	**–**	–
Pledged deposits	**(173)**	(64)	**–**	–
Bank overdrafts (Note 26(b))	**(6)**	(28)	**–**	–
Cash and cash equivalents	**1,464**	1,554	**400**	856

Included in cash and cash equivalents of the Group totalling HK$664 million (2007: HK$425 million) are denominated in Renminbi. Renminbi is not a freely convertible currency and the remittance of funds out of Mainland China is subject to exchange restrictions imposed by the PRC government.

26. Borrowings

HK$ million	Group 2008	Group 2007	Company 2008	Company 2007
Bank loans and overdrafts (Note 26(a) and 26(b))	**2,804**	1,947	**550**	600
Other loans (Note 26(c))	**105**	–	**–**	–
At 31 December	**2,909**	1,947	**550**	600

(a) The bank loans and overdrafts were repayable as follows:

HK$ million	Group 2008	Group 2007	Company 2008	Company 2007
Within 1 year or on demand	**2,284**	1,395	**30**	50
After 1 year but within 2 years	**520**	277	**520**	275
After 2 years but within 5 years	**–**	275	**–**	275
	520	552	**520**	550
At 31 December	**2,804**	1,947	**550**	600

26. Borrowings (continued)

(b) The bank loans and overdrafts were secured as follows:

	Group		Company	
HK$ million	**2008**	2007	**2008**	2007
Bank overdrafts (Note 25)				
– secured	**–**	6	**–**	–
– unsecured	**6**	22	**–**	–
	6	28	**–**	–
Bank loans				
– secured	**370**	324	**–**	–
– unsecured	**2,428**	1,595	**550**	600
	2,798	1,919	**550**	600
At 31 December	**2,804**	1,947	**550**	600

(c) Other loans

Other loans are secured by inventories, bank deposits and other deposits and repayable within one year or on sales of designated inventories.

(d) Certain of the Group's assets were pledged to secure loans and banking facilities granted to certain subsidiaries as follows:

HK$ million	**2008**	2007
Bank deposits	**173**	64
Trade and other receivables	**78**	237
Inventories	**175**	79
Property, plant and equipment	**183**	11
At 31 December	**609**	391

Certain bank loans are secured by a piece of land owned by a minority shareholder. In addition, certain other loans are secured by personal and corporate guarantees granted by minority shareholders.

The Company's and certain subsidiaries' unsecured bank loans are subject to the fulfillment of covenants mainly relating to the Group's and certain subsidiaries' balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 31 December 2007 and 2008, none of the covenants relating to drawn down facilities had been breached.

27. Trade and other payables

HK$ million	Group 2008	Group 2007	Company 2008	Company 2007
Trade creditors and bills payable	**1,254**	978	**–**	–
Other payables and accrued charges	**1,321**	1,099	**13**	12
Provision for warranties (Note 28)	**125**	105	**–**	–
Amount due to ultimate holding company (Note 27(b))	**–**	1	**–**	–
Amount due to immediate holding company (Note 27(b))	**7**	–	**7**	–
Amounts due to subsidiaries (Note 27(d))	**–**	–	**129**	231
Amounts due to fellow subsidiaries (Note 27(b))	**–**	1	**–**	–
Amounts due to associates (Note 27(c))	**8**	–	**–**	–
Amounts due to jointly controlled entities (Note 27(c))	**23**	4	**–**	–
Amounts due to minority shareholders	**73**	–	**–**	–
Derivative financial instruments	**5**	4	**–**	–
At 31 December	**2,816**	2,192	**149**	243

Apart from certain trade and other payables of HK$27 million (2007: HK$20 million) of the Group as at 31 December 2008, all the amounts of trade and other payables are expected to be settled or recognised as income within one year or are payable on demand.

(a) At the balance sheet date, the ageing analysis of trade creditors and bills payable based on due date is as below:

HK$ million	Group 2008	Group 2007
Current or within 1 month	**1,048**	952
1 to 3 months	**170**	15
4 to 6 months	**18**	6
Over 6 months	**18**	5
At 31 December	**1,254**	978

(b) The amounts due to ultimate holding company, immediate holding company and fellow subsidiaries of the Group and the Company are unsecured, non-interest bearing and repayable on demand.

(c) The amounts due to associates and jointly controlled entities are unsecured, non-interest bearing and repayable on demand, except for an amount due to a jointly controlled entity of HK$0.5 million which is interest bearing at an interest rate of 2.0% per annum at 31 December 2007. Such balance has been fully settled in 2008.

(d) The amounts due to subsidiaries of the Company are unsecured, non-interest bearing and repayable on demand, except for an amount of HK$37 million (2007: HK$65 million) which is interest bearing at 1 month HIBOR per annum for the years ended 31 December 2007 and 2008.

28. Provision for warranties

Included in trade and other payables (note 27) are provision for warranties as follows:

	Group	
HK$ million	**2008**	2007
At 1 January	**105**	42
Exchange adjustments	**–**	1
Additional provisions made	**101**	104
Provisions utilised	**(81)**	(42)
At 31 December	**125**	105

Under the terms of certain of the Group's sales agreements, the Group agrees to rectify product defects within a period not more than three years from the date of sale. Provision is made based on the best estimate of the expected settlement under these agreements in respect of sales made prior to the balance sheet date. The amount of provision takes into account the Group's recent claim experience and provision is only made where a warranty claim is probable.

29. Employee retirement benefits

The Group operates various defined contribution retirement schemes for its employees in Hong Kong, Mainland China and certain overseas locations.

The following are terms of the principal schemes:

(a) Hong Kong
For the employees in Hong Kong, the Group participates in the CITIC Group Mandatory Provident Fund Scheme ("MPF Scheme") in accordance with the arrangements prescribed by the Mandatory Provident Fund Scheme Ordinance.

Employees and the Group contribute to the MPF Scheme at the following rates:

(i) for employees who joined the Group since May 2003, 5% of the relevant employee's monthly income (up to a maximum contribution of HK$1,000 by the Group) on a monthly basis to the fund; and

(ii) for employees who joined the Group before May 2003, 5% or 10% of monthly basic salary, with no cap.

Assets of the MPF Scheme are held separately in funds under the administration of the respective trustees.

(b) Mainland China
Employees of the Group's subsidiaries in Mainland China are required to participate in defined contribution retirement benefit schemes administered and operated by the respective local municipal government. The Group's subsidiaries in Mainland China are required to make contributions to the scheme at 10% to 22% of the employees' relevant income for the years ended 31 December 2007 and 2008 to fund the retirement benefits of the employees.

(c) Overseas
Retirement benefits for employees in overseas are based primarily on local mandatory requirements.

The Group has no other material obligations for the payment of retirement benefits associated with the schemes beyond the contributions described above.

30. Equity compensation benefits

(a) CITIC Pacific Share Incentive Plan 2000

CITIC Pacific adopted the CITIC Pacific Share Incentive Plan 2000 ("Plan") on 31 May 2000 under which the board of CITIC Pacific may invite any director, executive or employee of CITIC Pacific or any of its subsidiaries to subscribe for options over CITIC Pacific's shares on payment of HK$1 per acceptance.

Since adoption of the Plan, CITIC Pacific has granted four lots of share options on 28 May 2002, 1 November 2004, 20 June 2006 and 16 October 2007 respectively. All share options granted and accepted can be exercised in whole or in part within 5 years from the date of grant.

(i) The terms and conditions of the share options granted to the directors in respect of their services rendered to the Group are as follows, whereby all share options are settled by physical delivery of shares:

Date of grant	Number of share options granted	Vesting conditions	Contractual life of share options	Exercise price per share HK$
28 May 2002	400,000	Fully vested on date of grant	5 years	18.20
1 November 2004	500,000	Fully vested on date of grant	5 years	19.90
20 June 2006	500,000	Fully vested on date of grant	5 years	22.10

CITIC Pacific did not grant share options on 16 October 2007 to any director of the Company in respect of their services rendered to the Group. During the year ended 31 December 2007, the following directors had exercised their share options as follows:

Date of grant	Name of directors	Number of share options exercised	Exercise price per share HK$	Market value per share on exercise of share options HK$
28 May 2002	Hui Ying Bun	200,000	18.20	30.15
28 May 2002	Chu Hon Fai	200,000	18.20	30.15

Apart from the above mentioned, none of the share options of the directors of the Company granted in respect of their services rendered to the Group was exercised, lapsed or cancelled during the years ended 31 December 2007 and 2008.

30. Equity compensation benefits (continued)

(a) CITIC Pacific Share Incentive Plan 2000 (continued)

(ii) The number and weighted average exercise prices of share options granted to the directors of the Company in respect of their services rendered to the Group are as follows:

	2008		2007	
	Weighted average exercise price per share HK$	**Number of share options**	Weighted average exercise price per share HK$	Number of share options
Outstanding at the beginning of the year	**21.00**	**1,000,000**	20.20	1,400,000
Exercised during the year	**–**	**–**	18.20	(400,000)
Outstanding at the end of the year	**21.00**	**1,000,000**	21.00	1,000,000
Exercisable at the end of the year	**21.00**	**1,000,000**	21.00	1,000,000

(iii) Details of the share options granted to the directors (other than non-executive directors) that remained outstanding as at each balance sheet date are as follows:

	2008 Number of share options	2007 Number of share options
Number of share options outstanding		
Granted on 1 November 2004 with an exercise price of HK$19.90 per share	**500,000**	500,000
Granted on 20 June 2006 with an exercise price of HK$22.10 per share	**500,000**	500,000
	1,000,000	1,000,000
Weighted average remaining contractual life	**1.65 years**	2.65 years

30. Equity compensation benefits (continued)

(b) Share Option Plans of the Company

(i) Pre-IPO Share Option Scheme

The Company adopted the Pre-IPO Share Option Scheme ("Scheme") on 28 September 2007 to recognise the contribution of certain directors and employees of the Group to the growth of the Group and to incentivise them going forward. In consideration of HK$1 from each grantee, share options to subscribe for an aggregate of 18,000,000 ordinary shares of the Company at a subscription price of HK$5.88 per share have been granted to 64 grantees under the Scheme on 3 October 2007, fully vested on the date of grant. Each share option has a lock-up period of 6 months from the listing of the Company's shares on the Main Board of the Stock Exchange on 17 October 2007 and all share options granted and accepted under the Scheme are then exercisable in whole or in part within 5 years from the date of grant. No share option granted under the Scheme has been exercised or cancelled during the year after granted. But share options comprising a total of 600,000 shares of the Company lapsed during the year. The total outstanding share options as at 31 December 2008 was 17,400,000 shares. The remaining contractual life of the share options is 3.76 years (2007: 4.76 years).

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted on 3 October 2007 is measured based on the Binomial Model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the Binomial Model. Fair value of the share options granted under the Scheme over the subscription cost amounted to HK$27.2 million has been recognised as staff costs on the date of grant.

(ii) Fair value of share options

	2007
Based on the following assumptions:	
Fair value on the date of grant (per share)	HK$1.51
Exercise price per share	HK$5.88
Expected volatility	33.00%
Expected average share option life	3.61 years
Expected dividend yield per annum	2.00%
Risk-free interest rate per annum (based on linearly interpolated yield of the Hong Kong Exchange Fund Notes)	3.94%
Rate of eligible grantees leaving service per annum	4.00%
Early exercise assumption	At least 166% of the exercise price

The expected volatility is determined with reference to the historical movements of the comparators' share prices. Changes in the subjective input assumptions could materially affect the fair value estimation.

31. Deferred tax assets and liabilities

(a) Deferred tax assets and liabilities recognised

(i) Group

The components of deferred tax (assets)/liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

HK$ million	Depreciation allowances in excess of related depreciation	Revaluation arising from business combinations (other than investment properties)	Revaluation of investment properties	Provisions	Tax losses	Undistributed profits	Others	Total
At 1 January 2007	53	–	117	(19)	(25)	–	15	141
Exchange adjustments	3	–	4	(1)	–	–	1	7
Effect of change in tax rate (Note 8(a))	–	–	(3)	–	–	–	–	(3)
Charged/(credited) to the consolidated income statement (Note 8(a))	(8)	–	33	(15)	–	17	(3)	24
At 31 December 2007	48	–	151	(35)	(25)	17	13	169
At 1 January 2008	**48**	**–**	**151**	**(35)**	**(25)**	**17**	**13**	**169**
Exchange adjustments	**7**	**–**	**19**	**(4)**	**–**	**(3)**	**3**	**22**
Effect of change in tax rate (Note 8(a))	**(1)**	**–**	**(4)**	**1**	**1**	**–**	**–**	**(3)**
Acquisition of subsidiaries (Note 33)	**–**	**50**	**1**	**–**	**(77)**	**–**	**–**	**(26)**
Charged/(credited) to the consolidated income statement (Note 8(a))	**3**	**(1)**	**(1)**	**(3)**	**(2)**	**–**	**(16)**	**(20)**
At 31 December 2008	**57**	**49**	**166**	**(41)**	**(103)**	**14**	**–**	**142**

Represented by:

HK$ million	2008	2007
Net deferred tax assets	**(58)**	(27)
Net deferred tax liabilities	**200**	196
At 31 December	**142**	169

31. Deferred tax assets and liabilities (continued)

(a) Deferred tax assets and liabilities recognised (continued)

(ii) Company

The components of deferred tax (assets)/liabilities of the Company recognised in the balance sheet and the movements during the year are as follows:

HK$ million	Depreciation allowance in excess of related depreciation	Revaluation of investment properties	Provisions	Total
At 1 January 2007	–	9	–	9
Charged/(credited) to income statement	–	6	(1)	5
At 31 December 2007	–	15	(1)	14
At 1 January 2008	**–**	**15**	**(1)**	**14**
Effect of change in tax rate	**–**	**(1)**	**–**	**(1)**
Charged to income statement	**1**	**–**	**1**	**2**
At 31 December 2008	**1**	**14**	**–**	**15**

(b) Deferred tax assets not recognised

The Group has not recognised deferred tax assets in respect of the following items:

HK$ million	**2008**	2007
Deductible temporary differences	**17**	13
Tax losses	**352**	314
At 31 December	**369**	327

At 31 December 2008, tax losses in certain tax jurisdictions of HK$167 million (2007: HK$125 million) will expire within the next five years. The remaining balance of tax losses has no expiry date under the current tax legislation.

(c) Deferred tax liabilities not recognised

At 31 December 2008, temporary differences relating to the undistributed profits of subsidiaries amounted to HK$808 million (2007: HK$613 million). Deferred tax liabilities of HK$162 million (2007: HK$123 million) have not been recognised in respect of the tax payable upon the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these retained profits will not be distributed in the foreseeable future.

32. Capital and reserves

(a) Group

Details of the movements in capital and reserves of the Group are set on pages 78 and 79.

(b) Company

HK$ million	Share capital	Share premium	Share option reserve	Retained profits	Total
Note	32(c)				
At 1 January 2007	210	–	–	1,481	1,691
Capitalisation issue (Note 32(c)(i))	33	–	–	–	33
Shares issued under the global offering (Note 32(c)(ii))	27	1,031	–	–	1,058
Shares issuing costs	–	(55)	–	–	(55)
Share-based payments	–	–	27	–	27
Profit for the year (Note 12)	–	–	–	95	95
Dividends (Note 13)	–	–	–	(900)	(900)
At 31 December 2007	270	976	27	676	1,949
At 1 January 2008	**270**	**976**	**27**	**676**	**1,949**
Cancellation of share options	**–**	**–**	**(1)**	**1**	**–**
Repurchase of own shares – premium paid	**–**	**–**	**–**	**(5)**	**(5)**
Profit for the year (Note 12)	**–**	**–**	**–**	**605**	**605**
Dividends (Note 13)	**–**	**–**	**–**	**(154)**	**(154)**
At 31 December 2008	**270**	**976**	**26**	**1,123**	**2,395**

(c) Authorised and issued share capital

	2008 Number of shares (million)	**2008** HK$ million	2007 Number of shares (million)	2007 HK$ million
Authorised:				
Ordinary shares of HK$0.15 each	**4,000**	**600**	4,000	600
Ordinary shares, issued and fully paid:				
At 1 January	**1,800**	**270**	21	210
Capitalisation issue (Note 32(c)(i))	**–**	**–**	1,599	33
Repurchase of own shares (Note 32(d))	**(2)**	**–**	–	–
Shares issued under the global offering (Note 32(c)(ii))	**–**	**–**	180	27
At 31 December	**1,798**	**270**	1,800	270

32. Capital and reserves (continued)

(c) Authorised and issued share capital (continued)

(i) Pursuant to the ordinary resolutions passed on 28 September 2007:

- 2 shares of HK$10 each were allotted and issued to a wholly-owned subsidiary of CITIC Pacific;
- each of the issued and unissued shares of HK$10 each in the share capital of the Company was consolidated into shares of HK$30 each ("Consolidated Shares"), resulting in the issued share capital of the Company being divided into 7,010,613 Consolidated Shares;
- each of the issued and unissued Consolidated Shares was then divided into 200 shares of HK$0.15 each, resulting in the issued share capital of the Company being divided into 1,402,122,600 shares of HK$0.15 each;
- the authorised share capital of the Company was increased from HK$300 million to HK$600 million by the creation of 2,000,000,000 new ordinary shares of HK$0.15 each; and
- 217,877,400 new ordinary shares of HK$0.15 each were allotted and issued as fully paid to wholly owned subsidiaries of CITIC Pacific.

The allotment and issue of shares of the Company mentioned above is referred to as "Capitalisation issue".

(ii) On 17 October 2007, an aggregate of 180,000,000 ordinary shares of HK$0.15 each were issued and offered for subscription at a price of HK$5.88 per share upon the listing of the Company's shares on the Main Board of the Stock Exchange.

(d) Repurchase of own shares

During the year, the Company made the following repurchases of its own shares on the Stock Exchange:

	Number of shares repurchased	Price per share Highest	Price per share Lowest	Total paid
		HK$	HK$	HK$
January 2008	702,000	2.40	2.31	1,654,860
June 2008	304,000	2.20	2.11	662,750
July 2008	1,161,000	2.25	2.12	2,525,970
Total	2,167,000			4,843,580

The repurchased shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The premium payable on repurchase was charged against retained profits. An amount equivalent to the nominal value of the shares cancelled of HK$325,050 was transferred from retained profits to capital redemption reserve during the year ended 31 December 2008.

32. Capital and reserves (continued)

(e) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by Section 48B of the Hong Kong Companies Ordinance.

(ii) General reserve

Pursuant to articles of association of certain subsidiaries of the Group incorporated in Mainland China, Macao and Japan, these subsidiaries are required to transfer their profits after taxation to the general reserve.

For the subsidiaries in Mainland China, in accordance with the Company Law of the People's Republic of China (revised), the general reserve fund can be used to make good previous years' losses, if any, and may be converted into capital in proportion to the equity shareholders' existing equity holdings, provided that the balance after such conversion is not less than 25% of the registered capital.

(iii) Capital reserve

The capital reserve mainly represents the premium paid on acquisition of subsidiaries before 1 January 2001.

(iv) Statutory surplus reserve

Pursuant to the relevant rules and regulations in Mainland China, those subsidiaries which are domestic enterprises in Mainland China are required to transfer no less than 10% of their profit after taxation, as determined under accounting regulations in Mainland China, to statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of dividends to shareholders.

(v) Merger reserve

The merger reserve mainly represents the amount of consideration paid to CITIC Pacific in excess of the net book value of the subsidiaries acquired from CITIC Pacific.

(vi) Share option reserve

The share option reserve comprises the fair value of the number of unexercised share options granted to employees under the Company's Pre-IPO Share Option Scheme.

(vii) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong.

(viii) Asset revaluation reserve

The asset revaluation reserve comprises the change arising on the revaluation of properties held for own use, upon transfer to investment properties.

32. Capital and reserves (continued)

(e) Nature and purpose of reserves (continued)

(ix) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flow.

(x) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the balance sheet date.

(f) Distributable reserves

Distributable reserves of the Company as at 31 December 2008 amounted to HK$1,123 million (2007: HK$676 million).

(g) Capital management

The Group's primary objectives are to safeguard the Group's ability to continue as a going concern, to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to optimise the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

Consistent with industry practices, the Group monitors its capital structure on the basis of gearing ratio. The gearing ratio is defined as net debt divided by total capital. Net debt is calculated as total borrowings less cash and bank deposits. Total capital is calculated as shareholders' funds (i.e. total equity attributable to shareholders of the Company) plus net debt.

During 2008, the Group's strategy, which was consistent with 2007, was to maintain the gearing ratio below 40%.

The gearing ratios at 31 December 2007 and 2008 were as follows:

		Group	
HK$ million	Note	**2008**	2007
Total borrowings	26	**2,909**	1,947
Less: cash and bank deposits	25	**(1,643)**	(1,653)
Net debt		**1,266**	294
Shareholders' funds		**4,865**	4,282
Total capital		**6,131**	4,576
Gearing ratio		**20.6%**	6.4%

Major financial covenants for the committed banking facilities are as follows:

Shareholders' funds	>	or = HK$2,500 million
Net debt	<	Shareholders' funds
Current assets	>	Current liabilities

As at 31 December 2007 and 2008, the Group had complied with all of the above financial covenants.

33. Business combination – acquisition of subsidiaries

(i) In May 2008, the Group acquired a 60% equity interest in 上海山隆實業有限公司 (Shanghai Sunny Life Enterprise) which is engaged in food trading business in Mainland China.

(ii) In August 2008, the Group extended its equity interest from 20% to 100% in 廣東偉德利電器製造有限公司 (Guangdong Victory Electrical Appliances Manufacturing Co., Ltd.) ("GDVTR"), a company engaged in the manufacturing of premium home electrical appliances in Mainland China.

(iii) In September 2008, the Group acquired a total of 75% equity interest in Polyfood Food Service Co. Limited, a company engaged in processing premium food products in Hong Kong.

(iv) In September 2008, the Group acquired a 49% equity interest in Strong Step Holdings Limited and its subsidiary and together with a 50% equity interest in Star Partner Holdings Limited and its subsidiaries (collectively known as "SS Group") and the related shareholders' loans. The SS Group is engaged in sales of vehicle and spare parts, and provision of maintenance and customer survey services in Mainland China.

(v) The Group has completed several other acquisitions during the year. Since they are relatively immaterial to both the Group's financial position and results, both individually and in aggregate, details of these acquisitions are not disclosed.

(vi) The acquired businesses contributed turnover of HK$893 million and net loss after taxation of HK$29 million to the Group for the period from their respective dates of acquisition to 31 December 2008 as follows:

	Motor and Motor Related Business		Food and Consumer Products Business		
HK$ million	SS Group	Others	GDVTR	Others	Total
Turnover	524	186	72	111	893
Profit/(loss) after taxation	8	(15)	(23)	1	(29)

The aggregate turnover and net loss after taxation of these acquired subsidiaries as though the acquisitions had been completed at the beginning of 2008 were HK$3,672 million and HK$55 million respectively.

	Motor and Motor Related Business		Food and Consumer Products Business		
HK$ million	SS Group	Others	GDVTR	Others	Total
Turnover	2,478	583	382	229	3,672
Profit/(loss) after taxation	22	(8)	(73)	4	(55)

These amounts have been calculated using the Group's accounting policies and by adjusting the results of the relevant subsidiaries to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2008, together with the consequential tax effects.

33. Business combination – acquisition of subsidiaries (continued)

(vii) The acquisitions had the following effect on the Group's assets and liabilities on the acquisition date:

	Motor and Motor Related Business		Food and Consumer Products Business		
HK$ million	SS Group	Others	GDVTR	Others	Total
Fixed assets	51	68	321	12	452
Lease prepayments	–	–	39	–	39
Deferred tax assets	1	5	21	1	28
Inventories	228	120	139	16	503
Trade and other receivables	280	60	93	41	474
Cash and bank deposits	70	69	38	9	186
Trade and other payables	(352)	(203)	(438)	(31)	(1,024)
Bank loans	(38)	(12)	(308)	(10)	(368)
Other loans	(135)	(26)	–	–	(161)
Deferred tax liabilities	(1)	–	–	(1)	(2)
Current tax payable	(1)	–	–	(1)	(2)
Net assets/(liabilities) acquired	103	81	(95)	36	125
Intangible assets recognised (Note 17)	153	36	4	11	204
Fair value adjustment	2	(6)	204	6	206
Fair value of net assets acquired	**258**	**111**	**113**	**53**	**535**
Goodwill (Note 18)	33	49	29	2	113
Gain on acquisition (Note 6) (Note a)	–	(3)	–	–	(3)
Minority interest arising from business combination	(148)	(6)	–	(20)	(174)
Consideration paid, satisfied in cash	143	151	142	35	471
Less: Cash acquired	(70)	(69)	(38)	(9)	(186)
Repayment of debt (Note b)	–	–	(75)	–	(75)
Net cash outflow	**73**	**82**	**29**	**26**	**210**

Notes:

(a) It represents excess of the Group's interest in the fair value of net assets acquired over the cost of business combinations.

(b) The total consideration includes a debt at book value of HK$75 million owed to the ex-shareholders of GDVTR. It has been fully settled upon the completion of the acquisition.

(viii) The goodwill recognised on the acquisitions is attributable mainly to the skills and technical talent of the acquired businesses' work force and the synergies expected to be achieved from integrating the subsidiaries into the Group's existing businesses.

34. Financial instruments

Exposure to credit, liquidity, interest rate and currency risks arise in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices as described below.

(a) Credit risk

The Group's credit risk is primarily attributable to cash and bank deposits, trade and other receivables, and derivative financial instruments entered into for hedging purposes. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group's cash and bank deposits are placed with major financial institutions.

Trade receivables are presented net of the provision for impairment loss for doubtful debts. Credit risk in respect of trade and other receivables is limited since the Group's customer base is comprised of a large number of customers and they are dispersed across different industries and geographical areas. Accordingly, the Group has no significant concentration of credit risk. In addition, credit evaluations are performed on all customers requiring credit over a certain amount. Normally, the Group does not obtain collateral from customers.

Transactions involving derivative financial instruments are with counter parties with sound credit ratings and management does not expect any significant credit risk.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheets. Except for the financial guarantees given by the Group as set out in note 36, the Group or the Company does not provide any other guarantees which would expose the Group or the Company to credit risk.

(b) Liquidity risk

Cash management and financing activities of all operating entities in Hong Kong are centralised at head office level to enhance control and efficiency.

Due to market limitations and regulatory constraints, operating entities outside Hong Kong are responsible for their own cash management and monitored by head office. Financing activities for operating entities outside Hong Kong are previewed and approved by head office through standard procedures before execution to ensure proper authorisation is enforced.

Head office is to regularly monitor current condition and expected funding requirements of all operating entities and also their compliance with lending covenants. The Group aims to ensure entities to maintain sufficient reserves of cash and readily source of funding to meet its liquidity requirements in the short and longer term.

34. Financial instruments (continued)

(b) Liquidity risk (continued)

The table below analyses the Group's and the Company's non-derivative and derivative financial liabilities that will be settled based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

Group

HK$ million	2008 Total	2008 Within 1 year or on demand	2008 More than 1 year but less than 2 years	2008 More than 2 years but less than 5 years	2007 Total	2007 Within 1 year or on demand	2007 More than 1 year but less than 2 years	2007 More than 2 years but less than 5 years
Bank loans	**(2,830)**	**(2,299)**	**(531)**	**–**	(1,983)	(1,398)	(287)	(298)
Other loans	**(108)**	**(108)**	**–**	**–**	–	–	–	–
Trade and other payables	**(2,816)**	**(2,816)**	**–**	**–**	(2,192)	(2,192)	–	–
Bank overdrafts	**(6)**	**(6)**	**–**	**–**	(28)	(28)	–	–
	(5,760)	**(5,229)**	**(531)**	**–**	(4,203)	(3,618)	(287)	(298)

HK$ million	2008 Total	2008 Within 1 year or on demand	2008 More than 1 year but less than 2 years	2008 More than 2 years but less than 5 years	2007 Total	2007 Within 1 year or on demand	2007 More than 1 year but less than 2 years	2007 More than 2 years but less than 5 years
Derivatives settled gross:								
Forward foreign exchange contracts:								
– outflow	**(227)**	**(227)**	**–**	**–**	(882)	(882)	–	–
– inflow	**226**	**226**	**–**	**–**	892	892	–	–
	(1)	**(1)**	**–**	**–**	10	10	–	–

Company

HK$ million	2008 Total	2008 Within 1 year or on demand	2008 More than 1 year but less than 2 years	2008 More than 2 years but less than 5 years	2007 Total	2007 Within 1 year or on demand	2007 More than 1 year but less than 2 years	2007 More than 2 years but less than 5 years
Bank loans	**(576)**	**(45)**	**(531)**	**–**	(634)	(51)	(285)	(298)
Trade and other payables	**(149)**	**(149)**	**–**	**–**	(243)	(243)	–	–
	(725)	**(194)**	**(531)**	**–**	(877)	(294)	(285)	(298)

(c) Interest rate risk

The Group aims to maintain a suitable proportion of fixed and floating rate borrowings in order to stabilise interest costs. Interest rate hedging ratio is determined after taking into consideration of the market trend, the Group's cash flow pattern, etc. Interest rate swap, forward rate agreement, interest rate option and other instruments may be employed to hedge exposures or to modify the interest rate characteristics of its borrowings, if necessary.

At 31 December 2008, the Group and the Company had outstanding interest rate swaps with a notional contract amount of HK$300 million to fix the interest rate of the unsecured bank borrowings of HK$550 million so as to reduce the impact of interest rate fluctuation. The swaps mature over the next two years and have fixed swap rates ranging from 3.84% to 4.11% per annum.

34. Financial instruments (continued)

(c) Interest rate risk (continued)

The following table details the interest rate profile of the Group's and the Company's borrowings at the balance sheet date:

	Group				Company			
	2008		2007		**2008**		2007	
HK$ million	**Effective interest rate %**		Effective interest rate %		**Effective interest rate %**		Effective interest rate %	
Fixed rate borrowings:								
Bank overdrafts	**–**	**–**	4.25	1	**–**	**–**	–	–
Bank loans	**5.65**	**2,233**	5.92	786	**4.04**	**300**	–	–
Other loans	**7.21**	**105**	–	–	**–**	**–**	–	–
		2,338		787		**300**		–
Variable rate borrowings:								
Bank overdrafts	**5.00**	**6**	6.05	27	**–**	**–**	–	–
Bank loans	**5.28**	**565**	4.54	1,133	**5.01**	**250**	4.80	600
		571		1,160		**250**		600
Borrowings from banks and financial institutions		**2,909**		1,947		**550**		600
Trade and other payables	**–**	**–**	–	–	**0.30**	**37**	3.25	65
Total borrowings		**2,909**		1,947		**587**		665
Fixed rate borrowings as a percentage of total borrowings		**80.4%**		40.4%		**51.1%**		0%

Sensitivity analysis

As at 31 December 2008, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after tax and retained earnings by approximately HK$6 million (2007: HK$12 million). Other components of consolidated equity would not be affected by the changes in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for the financial instruments in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis was performed on the same basis for 2007.

(d) Currency risk

For bank borrowings, functional currency of each operating entity is generally matched with its liabilities. Given this, management does not expect any significant foreign currency risk associated with the Group's borrowings.

The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The foreign currency exposure is kept to an acceptable level by entering into foreign currency forward contracts and they are usually matched with anticipated future cash flows in foreign currencies, primarily from purchases. All of the forward exchange contracts have maturities of less than one year after the balance sheet date. As at 31 December 2008, the Group had foreign currency forward contracts hedging forecast transactions with a fair value of HK$4 million liability (2007: HK$12 million asset) recognised as derivative financial instruments.

34. Financial instruments (continued)

(d) Currency risk (continued)

The following table details the Group's exposure at the balance sheet date to currency risk arising from forecast transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they related:

Group

in million	United States dollars	Renminbi	Euros	Japanese Yen	Pound Sterling	Hong Kong dollars
	2008					
Trade and other receivables	**21**	**14**	**1**	**974**	**3**	**–**
Cash and bank deposits	**9**	**–**	**1**	**538**	**–**	**18**
Bank loan and overdrafts	**(7)**	**–**	**–**	**–**	**–**	**–**
Trade and other payables	**(11)**	**(2)**	**(1)**	**(71)**	**–**	**(8)**
Net exposure arising from recognised assets and liabilities	**12**	**12**	**1**	**1,441**	**3**	**10**
Highly probable forecast purchases	**(15)**	**–**	**(1)**	**(471)**	**(15)**	**–**
Notional amounts of foreign exchange forward contracts	**14**	**–**	**1**	**198**	**7**	**–**
Net exposure arising from forecast transactions	**(1)**	**–**	**–**	**(273)**	**(8)**	**–**
Overall net exposure	**11**	**12**	**1**	**1,168**	**(5)**	**10**

in million	United States dollars	Renminbi	Euros	Japanese Yen	Pound Sterling	Hong Kong dollars
	2007					
Trade and other receivables	32	12	2	1,619	2	8
Cash and bank deposits	8	–	1	486	–	15
Bank loan and overdrafts	(1)	–	–	–	–	–
Trade and other payables	(9)	(10)	(2)	(198)	(1)	–
Net exposure arising from recognised assets and liabilities	30	2	1	1,907	1	23
Highly probable forecast purchases	(17)	–	(1)	(8,192)	(41)	–
Notional amounts of foreign exchange forward contracts	17	–	1	5,014	26	–
Net exposure arising from forecast transactions	–	–	–	(3,178)	(15)	–
Overall net exposure	30	2	1	(1,271)	(14)	23

34. Financial instruments (continued)

(d) Currency risk (continued)

Sensitivity analysis

The following table indicates the change in the Group's profit after taxation and retained profits in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date:

Group	2008		2007	
HK$ million	**Increase in foreign exchange rates**	**Effect on profit after taxation and retained profits**	Increase in foreign exchange rates	Effect on profit after taxation and retained profits
Renminbi	**5%**	**1**	5%	–
Euros	**5%**	**1**	5%	1
Japanese Yen	**5%**	**5**	5%	(4)
Pound Sterling	**5%**	**(3)**	5%	(11)

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to each of the Group entities' exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any change in value of the United States dollar against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the Group entities' profit after tax measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the balance sheet date for presentation purposes. The changes in foreign exchange rate only have insignificant effect on the other components of consolidated equity. The analysis was performed on the same basis for 2007.

(e) Fair value

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2007 and 2008 except for the amounts due from/to subsidiaries, fellow subsidiaries, immediate holding company, ultimate holding company, associates and jointly controlled entities which have no fixed repayment terms. Given these terms, it is not meaningful to disclose the fair value of such balances.

Foreign exchange forward contracts are marked to market using the foreign exchange forward rates ruling at the balance sheet date. The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counter parties.

The fair value of financial guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made.

The present value of future cash flows, discounted at current market interest rates for similar financial instruments of interest-bearing bank borrowings are reasonable estimation of their fair values.

35. Commitments

(a) Capital commitments

Capital commitments outstanding at 31 December 2008 not provided for in the financial statements were as follows:

	Group	
HK$ million	**2008**	2007
Contracted for		
– Capital expenditure	**50**	13
– Investment in an associate	**51**	–
At 31 December	**101**	13
Authorised but not contracted for		
– Capital expenditure	**249**	232
– Others	**14**	–
At 31 December	**263**	232

(b) Operating lease commitments

At 31 December 2008, the Group had total future minimum lease payments of properties and items of plant and equipment held under non-cancellable operating leases payable as follows:

	Group	
HK$ million	**2008**	2007
Within 1 year	**150**	194
After 1 year but within 5 years	**252**	154
After 5 years	**181**	107
At 31 December	**583**	455

The Group is the lessee in respect of a number of properties and items of plant and equipment held under operating leases. The leases typically run for an initial period of one to twenty years, with an option to renew the leases when all the terms are renegotiated.

36. Contingent liabilities

At 31 December 2008, the Group and the Company have issued the following guarantees to banks in respect of banking facilities granted to and utilised by the following parties:

(a) Group

	2008		2007	
HK$ million	**Granted**	**Utilised**	Granted	Utilised
Associate	**–**	**–**	51	45

(b) Company

	2008		2007	
HK$ million	**Granted**	**Utilised**	Granted	Utilised
Subsidiaries	**3,169**	**1,187**	2,043	500

36. Contingent liabilities (continued)

(b) Company (continued)

At the balance sheet date, the Company is one of the entities covered by a cross guarantee arrangement issued by the Company and its subsidiaries to banks in respect of banking facilities granted to the Group which remains in force so long as the Group has drawn down under the banking facilities. Under the guarantee, the Company and all the subsidiaries that are a party to the guarantee are jointly and severally liable for all and any of the borrowings of each of them from the bank which is the beneficiary of the guarantee.

As at the balance sheet date, the directors do not consider it is probable that a claim will be made against the Company or any of its subsidiaries under the above guarantee.

37. Material related party transactions

During the year, the Group and the Company had the following material related party transactions:

HK$ million	Note	**2008**	2007
(a) Recurring transactions			
Transactions with associates			
Sales	(ii)	**199**	168
Purchases	(ii)	**62**	31
Transactions with jointly controlled entities			
Sales	(ii)	**38**	19
Transactions with fellow subsidiaries			
Rental expenses	(ii)	**93**	97
Transactions with affiliates			
Service income	(ii)	**61**	55
Sales	(ii)	**15**	6
(b) Non-recurring transactions			
Transactions with ultimate holding company			
Management fee paid	(iv)	**–**	34
Transaction with an associate			
Consideration paid for acquisition of a subsidiary and a debt	(iii)	**142**	–

(c) Transactions with state-owned enterprises

The Group operates in an economic regime currently dominated by entities directly or indirectly controlled by the PRC Government ("state-owned enterprises") through its government authorities, agencies, affiliates and other organisations. Transactions with other state-owned enterprises include but are not limited to sales and purchases of goods and services, use of utilities, depositing and borrowing money.

The sales and purchases transactions are conducted in the ordinary course of the Group's businesses on terms comparable to those with other entities that are not state controlled. The terms and conditions of deposits and loans were set out in the respective agreements or as mutually agreed with the concerned financial institutions at commercial terms similar to those with independent third parties.

37. Material related party transactions (continued)

(c) Transactions with state-owned enterprises (continued)

Having considered the potential transactions to be impacted by related party relationships, the entity's pricing strategy, purchasing and approval processes, and what information would be necessary for an understanding of the potential effect of the relationship on the financial statements, there are no transactions with state-owned enterprises that require disclosure as related party transactions.

Notes:

(i) Remuneration for key management personnel is the amounts paid to the Company's directors as disclosed in note 9. Total remuneration is included in "staff costs" (see note 7(b)).

(ii) The directors of the Company are of the opinion that the above related party transactions were conducted on normal commercial terms and were priced with reference to prevailing market prices, and in the ordinary course of business.

(iii) On 26 August 2008, the Group entered into an agreement with Anping Holdings Inc. ("Anping"), an associated company of the Group, for the acquisition of the entire equity interest in Guangdong Victory Electrical Appliances Manufacturing Co., Ltd. ("GDVTR") at a consideration of HK$67 million and the debt owed by the intermediate holding company of GDVTR at book value of HK$75 million. Upon completion of the acquisition, the interest of the Group in GDVTR increased from 20% to 100%.

(iv) Management fee was paid to CITIC Pacific in respect of various business arrangements (including one-off business projects, strategical and consulting management services) between the Group and CITIC Pacific during the year ended 31 December 2007 before the listing of the Company in the Stock Exchange. The management fee was determined based on arm's length principles with reference to the actual time and expenses incurred by CITIC Pacific in the provision of these management services.

(v) Before the listing of the Company in the Stock Exchange in October 2007, the Group disposed of available-for-sale equity securities in Hong Kong to two wholly-owned subsidiaries of CITIC Pacific at original cost of HK$0.1 million. The fair value of these securities as at the date of disposal was HK$258 million. The disposal resulted in no gain or loss during the year ended 31 December 2007.

(vi) Affiliates represent associates and jointly controlled entities of the immediate, intermediate and ultimate holding company.

38. Ultimate holding company

At 31 December 2008, the directors consider the ultimate holding company of the Group to be CITIC Group, which was incorporated in the People's Republic of China.

At 31 December 2007, the directors consider the ultimate holding company of the Group was CITIC Pacific Limited, which was incorporated in Hong Kong.

39. Details of principal subsidiaries

The following are the principal subsidiaries of the Group which in the opinion of the directors, principally affect the results and net assets of the Group. To give details of other subsidiaries would in the opinion of the directors result in particulars of excessive length.

Name of subsidiaries	Note	Place of incorporation/ establishment/ operation	Authorised/ registered/ paid-in/issued capital	Proportion of equity interests held by the Company %	Proportion of equity interests held by a subsidiary %	Principal activities
Broadview Investments Holdings Ltd.		British Virgin Islands	Authorised share capital of US$50,000 at US$1 each and issued share capital of US$1 at US$1 each	100	–	Investment holding
Consolidated Parts & Accessories Sales Centre Limited		Hong Kong	Authorised and issued share capital of HK$100,000 at HK$100 each	–	100	Trading of motor vehicle spare parts
Dah Chong Hong – Dragonair Airport GSE Service Limited		Hong Kong	Authorised and issued share capital of HK$10,000 at HK$1 each	–	70	Provision of airport ground support equipment maintenance services
Dah Chong Hong (Japan) Limited		Japan	Authorised share capital of JPY1,280 million at JPY1,000 each and issued share capital of JPY480 million at JPY1,000 each	–	100	Import and export of foodstuffs, motor vehicles and garments, property investment and investment holding
Dah Chong Hong (Motor Leasing) Limited		Hong Kong	Authorised and issued share capital of HK$100,000 at HK$10 each	–	100	Motor leasing
Dah Chong Hong (Motor Service Centre) Limited		Hong Kong	Authorised and issued share capital of HK$200,000 at HK$100 each	–	100	Motor vehicle repairing, servicing and parts trading
Dah Chong Hong, Limited		Hong Kong	Authorised and issued share capital of HK$50,000,000 at HK$1,000 each	100	–	Investment holding, general import, retail and export dealing in foodstuffs, electrical appliances and other products
Dah Chong Hong (China) Limited		Hong Kong	Authorised and issued share capital of HK$100,000 at HK$100 each	100	–	Investment holding and provision of management services
Dah Chong Hong Macau Food Supply Company Limited		Macao	Registered and paid-in capital of MOP100,000	–	55	Wholesaler of frozen food
Dah Chong Hong Macau Logistics Warehouse Company Limited		Macao	Registered and paid-in capital of MOP100,000	–	55	Provision of logistics and warehouse services

39. Details of principal subsidiaries (continued)

Name of subsidiaries	Note	Place of incorporation/ establishment/ operation	Authorised/ registered/ paid-in/issued capital	Proportion of equity interests held by the Company %	Proportion of equity interests held by a subsidiary %	Principal activities
Dah Chong Hong Motors (China) Limited		Hong Kong	Authorised and issued share capital of HK$2,000,000 at HK$100 each	–	100	Investment holding
Dah Chong Hong Trading (Singapore) Pte. Ltd.		Republic of Singapore	Authorised and issued share capital of SGD3,500,000 at SGD1 each	–	100	Investment holding and trading of foodstuffs
DCH Food Industries Limited		Hong Kong	Authorised share capital of HK$1,000,000 at HK$10 each and issued share capital of HK$20 at HK$10 each	–	100	Investment holding
DCH Insurance Company Limited		Bermuda	Authorised and issued share capital of HK$936,000 at HK$1 each	100	–	Insurance business
DCH Logistics Company Limited		Hong Kong	Authorised and issued share capital of HK$100,000 at HK$10 each	–	100	Warehouse and transportation service
DCH Motors (Bentley) Limited		Hong Kong	Authorised share capital of HK$10,000 at HK$1 each and issued share capital of HK$2 at HK$1 each	–	100	Motor vehicle distribution
DCH Motors Ltd.		Canada	Authorised share capital of CAD100,000 at CAD1 each and issued share capital of CAD100 at CAD1 each	–	100	Motor vehicle distribution
Harmony Motors Limited		Hong Kong	Authorised and issued share capital of HK$100,000 at HK$100 each	–	100	Motor vehicle distribution
Honest Motors, Limited		Hong Kong	Authorised share capital of HK$5,000,000 at HK$1,000 each and issued share capital of HK$3,000,000 at HK$1,000 each	–	100	Motor vehicle distribution
Japan Auto Parts Company Limited		Hong Kong	Authorised and issued share capital of HK$100,000 at HK$100 each	–	100	Trading of motor vehicle spare parts
Metro Motors Limited		Hong Kong	Authorised and issued share capital of HK$3,000,000 at HK$1 each	–	100	Motor vehicle distribution

39. Details of principal subsidiaries (continued)

Name of subsidiaries	Note	Place of incorporation/ establishment/ operation	Authorised/ registered/ paid-in/issued capital	Proportion of equity interests held by the Company %	Proportion of equity interests held by a subsidiary %	Principal activities
Premium Motors Limited		Hong Kong	Authorised share capital of HK$10,000 at HK$1 each and issued share capital of HK$2 at HK$1 each	–	100	Motor vehicle distribution
Regal Motors, Limited		Hong Kong	Authorised share capital of HK$500,000 at HK$100 each and issued share capital of HK$200,000 at HK$100 each	–	100	Motor vehicle distribution
Reliance Motors, Limited		Hong Kong	Authorised share capital of HK$5,000,000 at HK$1,000 each and issued share capital of HK$3,000,000 at HK$1,000 each	–	100	Motor vehicle distribution
上海大昌行食品工業有限公司 Shanghai DCH Food Industries Ltd.	(i)	The People's Republic of China	Registered and paid-in capital of US$4,770,000	–	100	Food processing and trading
Sims (China) Limited		Hong Kong	Authorised share capital of HK$1,000 at HK$10 each and issued share capital and HK$20 at HK$10 each	–	100	Marketing co-ordination services
Sims Trading Company Limited		Hong Kong	Authorised and issued share capital of HK$300,000 at HK$100 each	–	100	Wholesale and distribution of grocery stuffs and foodstuffs and wine
Triangle Auto Pte Ltd		Republic of Singapore	Authorised and issued share capital of SGD3,000,000 at SGD1 each	–	100	Motor vehicle distribution
Triangle Motors Limited		Hong Kong	Authorised share capital of HK$5,000,000 at HK$100 each and issued share capital of HK$3,000,000 at HK$100 each	–	100	Motor vehicle distribution
Triangle Motors (China) Limited		Hong Kong	Authorised share capital of HK$10,000 at HK$10 each and issued share capital of HK$20 at HK$10 each	–	100	Investment holding and trading of motor vehicles
Yee Lim Godown & Cold Storage Limited		Hong Kong	Authorised and issued share capital of HK$1,000,000 at HK$1 each	–	100	Operation of dry and cold storage godown

39. Details of principal subsidiaries (continued)

Name of subsidiaries	Note	Place of incorporation/ establishment/ operation	Authorised/ registered/ paid-in/issued capital	Proportion of equity interests held by the Company %	Proportion of equity interests held by a subsidiary %	Principal activities
江門大昌慎昌食品加工倉儲有限公司 (Jiangmen Dah Chong Hong – Sims Food Processing and Warehousing Limited)	(i), (vi)	The People's Republic of China	Registered capital of US$10,000,000 and paid-in capital of US$5,000,000	–	100	Provision of food products and logistics services
江門大昌慎昌工業開發有限公司 Jiangmen Dah Chong Hong – Sims Industrial Development Limited	(i)	The People's Republic of China	Registered and paid-in capital of US$8,300,000	–	100	Construction and development of industrial factories and warehouses
江門慎昌貿易有限公司 Sims Trading (Jiangmen) Company Limited	(ii)	The People's Republic of China	Registered and paid-in capital of RMB10,000,000	–	100	Wholesale of food products
江門市寶昌汽車銷售服務有限公司 (Jiangmen Baochang Motors Sale and Service Limited)	(ii), (vi)	The People's Republic of China	Registered and paid-in capital of RMB12,000,000	–	100	Motor vehicle distribution
上海賓利汽車銷售有限公司 (Bentley Shanghai Motor Sales Ltd.)	(iii), (vi)	The People's Republic of China	Registered and paid-in capital of RMB12,000,000	–	100	Motor vehicle distribution
雲南聯迪汽車服務有限公司 (Yunnan Liandi Motors Service Limited)	(iii), (vi)	The People's Republic of China	Registered and paid-in capital of RMB10,000,000	–	80	Motor vehicle distribution
雲南寶泰隆汽車服務有限公司 (Yunnan Bao Tailong Motor Service Limited)	(v), (vi)	The People's Republic of China	Registered and paid-in capital of RMB5,000,000	–	80	Motor vehicle distribution
廣東偉德利電器製造有限公司 (Guangdong Victory Electrical Appliances Manufacturing Co., Ltd.)	(i), (vi)	The People's Republic of China	Registered and paid-in capital of US$10,000,000	–	100	Production and sales of household electrical appliances

39. Details of principal subsidiaries (continued)

Name of subsidiaries	Note	Place of incorporation/ establishment/ operation	Authorised/ registered/ paid-in/issued capital	Proportion of equity interests held by the Company %	Proportion of equity interests held by a subsidiary %	Principal activities
廣州廣保豐田汽車銷售服務有限公司 (Guangzhou Guangbao Toyota Motors Sale and Service Limited)	(ii), (iv), (vi)	The People's Republic of China	Registered and paid-in capital of RMB15,000,000	–	100	Motor vehicle distribution
廣州駿佳凌志汽車銷售服務有限公司 (Guangzhou Junjia Lexus Motors Sale and Service Limited)	(ii), (vi)	The People's Republic of China	Registered and paid-in capital of RMB10,000,000	–	55	Motor vehicle distribution

Notes:

(i) The entity is a wholly foreign owned enterprise ("WOFE") established in the PRC.

(ii) The equity interests of this entity are held by persons which have the legal capacity under the regulation to be shareholders for the benefits of the Group.

Historically, the PRC rules and regulations restricted foreign ownership of companies in certain industries. The Group has been conducting its operations in these industries through Contractual Arrangements with various companies incorporated in the PRC (i.e. OPCOs) which are owned by persons which have the legal capacity under the regulation to be shareholders for the benefits of the Group (i.e. Registered Owners).

The Group does not have direct equity interests in these OPCOs. However, the Group has implemented a series of Contractual Arrangements with the Registered Owners of these OPCOs, such that:

- The Group is entitled to enjoy all the economic benefits of the OPCOs. All the dividends, capital bonus or any other assets distributed to the respective Registered Owners by the respective OPCOs are required to be transferred to the Group at nil consideration within three working days after such distribution;
- The Group is granted an exclusive right to acquire, to the extent permissible under the laws of the PRC, equity interests in the OPCOs at nil consideration or at a nominal price; and
- The respective Registered Owners are required to consult with and follow the instructions of the Group, whenever they exercise their rights as the equity shareholders of the OPCOs.

As a result of the above Contractual Arrangements, the Group has effective control over the operational and financial policies of the OPCOs and derives economic benefits from the operations of the OPCOs. Accordingly, the financial results and positions of OPCOs have been consolidated into the Group since their respective date of establishment.

(iii) The entity is within the OPCO group.

(iv) Although the Group only has 49% equity interest in Strong Step Holdings Limited, an intermediate holding company of this entity, the Group has an overriding casting vote which could be exercised by the Group at the meetings of the board of directors of Strong Step Holdings Limited which governs the financial and operating policies of this entity. Accordingly, it has been accounted for as a subsidiary.

(v) The entity is in the process of conversion from within the OPCO group to within the WOFE group.

(vi) The official name of the company is in Chinese. The English translation is for reference only.

MAJOR PROPERTIES HELD BY THE GROUP

As at 31 December 2008

Address/Lot no.		Leasehold expiry	Group's interest %	Approximate saleable area (sq. m.)	Existing use
Major Properties Held For Owner-occupation					
1.	1st Floor, Front Portion, 11 Mok Cheong Street, Tokwawan, Kowloon, Hong Kong Situated within KIL No 7630	2027	100	220	Storage
2.	Shops Nos. 1 and 2 on Ground Floor and External Wall of Ground Floor Premises, Landwide Commercial Building, 118–120 Austin Road, Tsimshatsui, Kowloon, Hong Kong 92/1,000th shares of and in KIL No 8375 and the Remaining Portion of KIL No 8832	2043	100	360	Motor vehicle showroom with ancillary offices
3.	Car Parking Spaces Nos. 1 and 2 on Basement, Hong Yuen Court, 1–5 Tak Shing Street Jordan, Kowloon, Hong Kong 4/2,100th shares of and in KIL No 11009	2047	100	2 car parking spaces	Car parking
4.	377 Carparking Spaces (Carparking Spaces Nos. 8001 to 8125 on 8th Floor, Carparking Spaces Nos. 9001 to 9125 on 9th Floor and Carparking Spaces Nos. R001 to R127 on roof), Commercial and Garage Block, Richland Gardens, 80 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong 627/106,352nd shares of and in NKIL No 5928	2047	100	377 car parking spaces	Car parking
5.	Flats B, C, D, E and F on Ground Floor including the Forecourt, 152A–152D Prince Edward Road West and 222G–222H Fa Yuen Street, Mongkok, Kowloon, Hong Kong 6/64th shares of and in KIL No 7634	2033	100	211 and the forecourt is approximately 360	Motor vehicle showroom with ancillary offices

MAJOR PROPERTIES HELD BY THE GROUP

As at 31 December 2008

Address/Lot no.		Leasehold expiry	Group's interest %	Approximate saleable area (sq. m.)	Existing use
6.	Shop A-9 on Ground Floor, Kwai Chung Centre, 102 Kwai Hing Road, Kwai Chung, New Territories, Hong Kong 13/1,706th shares of and in KCTL No 294	2047	100	53	Food store
7.	12th Floor, Union Park Centre, 771–775 Nathan Road, Mong Kok, Kowloon, Hong Kong 493/10,000th shares of and in the Remaining Portions of KIL Nos 2570, 2571 and 2572	2080	100	272	Office
8.	67–73 Fuk Hi Street, Yuen Long Industrial Estate, Yuen Long, New Territories, Hong Kong Subsections 1 and 2 of Section A of Yuen Long Town Lot No. 313 and Extensions Thereto and Section O of YLTL No. 313 and Extensions Thereto	2047	100	34,186	Food processing complex (under renovation)
9.	Lot T7–3, No. 19, Yinhai Avenue, Jinguzhou, Huicheng, Xinhui District, Jiangmen, Guangdong Province, The People's Republic of China	2054	100	12,678	Food processing and warehouse
10.	Lot T7–5, No. 6, Jiangyu Road and No. 28 Yinzhou Avenue, Jinguzhou, Huicheng, Xinhui District, Jiangmen, Guangdong Province, The People's Republic of China	2054	100	4,570	Food processing and warehouse
10a.	Partial of above Property 10	2054	100	3,148	Office (under construction)

Address/Lot no.		Leasehold expiry	Group's interest %	Approximate saleable area (sq. m.)	Existing use
11.	Lot T7–6, No. 28, Yinzhou Avenue, Huicheng, Xinhui District, Jiangmen, Guangdong Province, The People's Republic of China	2054	100	8,378	Warehouse
12.	Lot No. T7–2, located in Lingang Industrial District, Jinguzhou Economic Development Experimental Zone, Xinhui District, Jiangmen, Guangdong Province, The People's Republic of China	2055	100	34,410	Bare site covered by shrubs and grass
13.	Lot No. T-10 located in Lingang Industrial District, Jinguzhou Economic Development Experimental Zone, Xinhui District, Jiangmen, Guangdong Province, The People's Republic of China	2055	100	219,918	Bare site covered by shrubs and grass
14.	Lot No. T18 located in Lingang Industrial District, Jinguzhou Economic Development Experimental Zone, Xinhui District, Jiangmen, Guangdong Province, The People's Republic of China	2055	100	55,346	Bare site covered by shrubs and grass
15.	4S shop, No. 522 Bailong Road, Yunshan Village, Jinma Town, Guandu District, Kunming, Yunnan Province, The People's Republic of China	2045	80	6,961	4S shop
16.	No. 789 Anchi Road, Shanghai International Automobile City, Jiading District, Shanghai, The People's Republic of China	2043	100	3,641	Showroom and cars storage

MAJOR PROPERTIES HELD BY THE GROUP

As at 31 December 2008

Address/Lot no.		Leasehold expiry	Group's interest %	Approximate saleable area (sq. m.)	Existing use
17.	No. 258 Nangang Gong Road, Huinan Town, Nanhui District, Shanghai, The People's Republic of China	2048	46.062	9,696	Vacant
18.	No. 1 Yanda Road, Lunjiao Town, Shunde District, Foshan City, Guangdong Province, The People's Republic of China	2054	100	116,154	Factory
19.	Portion of Dah Chong No. 2 Building, 18–2, Roppongi 5-chome, Minato-ku, Tokyo, Japan	Freehold	100	1,013	Office
20.	Richmond Acura Auto-Dealership Premises, 4211 No 3 Road, Richmond, British Columbia, Canada Lot 18 (Except Part Subdivided by Plan 70548 and Part on Plan LMP48197) Section 32, Block 5, North Range 6 West, New Westminster District Plan 37477	Freehold	100	2,559 plus 213 parking stalls	Showroom, service bays, storage and office
21.	20 Tuas Avenue 2, Singapore 639451 Lot No 1349 Mukim 7	2041	100	4,841 plus 132 area for parking	Car showroom, workshop, storage and office
22.	259 Pandan Loop, Singapore 128435 Lot No 4009A (JTC Pte Lot A14379) Mukim 5	2012	100	1,138	Cold store

Address/Lot no.		Leasehold expiry	Group's interest %	Approximate saleable area (sq. m.)	Existing use
Major Properties Held For Investment					
1.	Ground Floor of 115 Hennessy Road, Hip Sang Building, 107–115 Hennessy Road, Wanchai, Hong Kong 6/45th shares of and in the Remaining Portion of IL No 3831	2028	100	68	Shop
2.	Ground Floor, 56 Percival Street, Causeway Bay, Hong Kong 2/96th shares of and in the Remaining Portions of Sections A and C of Marine Lot No 365 and the Remaining Portion of Sub-section 1 of Section W of IL No 29	2842	100	83	Shop
3.	Shop No G7 on Ground Floor and Car Parking Spaces Nos LG123 and LG124 on Lower Ground Floor, Westlands Gardens, 1025–1037 King's Road and 2–10, 12A–12H Westlands Road, Quarry Bay, Hong Kong 14/6,952nd shares of and in the Remaining Portion of Quarry Bay IL No 15	2881	100	127 plus 2 car parking spaces	Shop and car parking
4.	Car Parking Space No. 18 on Upper Ground Floor, Kar Man Court, 1–7 Kin Wah Street, North Point, Hong Kong 1/713th share of and in the Remaining Portions of subsections 1, 2, 3 and 4 of Section X of IL No 2366 and the Extension thereto	2072	100	1 car parking space	Open car parking space

MAJOR PROPERTIES HELD BY THE GROUP

As at 31 December 2008

Address/Lot no.		Leasehold expiry	Group's interest %	Approximate saleable area (sq. m.)	Existing use
5.	Ground and Mezzanine Floors, 67 Sai Yeung Choi Street South, Mongkok, Kowloon, Hong Kong 3/11th shares of and in the Remaining Portion of Subsection 2 of Section C and the Remaining Portion of Section A of Subsection 3 of Section C of KIL No 1259	2060	100	115	Shop
6.	Ground Floor including its yard and Cockloft of 58 Sai Yeung Choi Street South and Shop 1 on Ground Floor, Cockloft and Flats A and B on 1st Floor of 60 Sai Yeung Choi Street South, Mongkok, Kowloon, Hong Kong 2/8th shares of and in the Remaining Portion of KIL No 2191 and 12/50th shares of and in KIL No 2192	2073	100	258	Shop
7.	Ground, 2nd, 3rd, 4th and 5th Floors, Front Portion, 11 Mok Cheong Street, Tokwawan, Kowloon, Hong Kong Situated within KIL No 7630	2102	100	773	Industrial
8.	Shop Nos. 1 and 2 on Ground Floor, Siu Man Court, 7, 7A and 9 Fort Street, North Point, Hong Kong 51/543rd shares of and in the Remaining Portions of Sections P and Q of IL No 2366 and the Extension thereto	2072	100	213	Shop
9.	Haiwang Hatchery Plant at Haiwang Village, Huinan Town, Nanhui District, Shanghai, The People's Republic of China	2048	46.062	2,053	Vacant

Address/Lot no.		Leasehold expiry	Group's interest %	Approximate saleable area (sq. m.)	Existing use
10.	Xing Guang Farm, Xingguang Village, Zhuqiao Town, Nanhui District, Shanghai, The People's Republic of China	2048	46.062	6,041	Vacant
11.	An Industrial Complex at Jiyue Industrial Area, Cangmen Village, Junan Town, Shunde District, Foshan, Guangdong Province, The People's Republic of China	2050	100	19,904	Factory
12.	An Industrial Complex at No. 1 Gongye Road, Taiping Village, Junan Town, Shunde District, Foshan, Guangdong Province, The People's Republic of China	2048	100	4,947	Factory
13.	Hiro-o Garden Hills, West Hill I–1204, Hiro-o 4-chome, Shibuya-ku, Tokyo, Japan	Freehold	100	89 plus 13 area for parking	Residential
14.	Hiro-o Garden Hills, Centre Hill H-1403, Hiro-o 4-chome, Shibuya-ku, Tokyo, Japan	Freehold	100	193 plus 5 area for storage and 17 area for parking	Residential
15.	Hiro-o Garden Hills, South Hill D-507 Hiro-o 4-chome, Shibuya-ku, Tokyo, Japan	Freehold	100	218 plus 5 area for storage and 19 area for parking	Residential

MAJOR PROPERTIES HELD BY THE GROUP

As at 31 December 2008

	Address/Lot no.	Leasehold expiry	Group's interest %	Approximate saleable area (sq. m.)	Existing use
16.	Dah Chong No. 1 Building, 12–6, Roppongi, 3-chome, Minato-ku, Tokyo, Japan	Freehold	100	3,208 plus 36 area for parking	Commercial/ office
17.	Dah Chong No. 2 Building, 18–2, Roppongi, 5-chome, Minato-ku, Tokyo, Japan	Freehold	100	1,405	Commercial/ office
18.	Toriizaka House 14–19, Roppongi, 5-chome, Minato-ku, Tokyo, Japan	Freehold	100	683	Residential/ office
19.	Land No. 346–22, Azateradani, Hino-Cho, Nishiwaki-shi, Hyogo Prefecture, Japan	Freehold	100	6,300	Vacant
20.	Land No. 8–162 and 8–179, Ogase-Cho, Kagamihara-shi, Gifu Prefecture, Japan	Freehold	100	7,123	Vacant
21.	Land No. 689, Azazendana, Higashiodaka, Isumi-shi, Chiba Prefecture, Japan	Freehold	100	509	Vacant
22.	Land No. 692, Azazendana, Higashiodaka, Isumi-shi, Chiba Prefecture, Japan	Freehold	100	694	Vacant

DEFINITION OF TERMS

Terms

Capital employed	Shareholders' funds plus total debt
Total debt	Short term and long term loans, plus bank overdrafts
Net debt	Total debt less cash and bank deposits
Total capital	Shareholders' funds plus net debt
EBITDA	Profit before interest expense, taxation, depreciation and amortisation

Ratios

Earnings per share $= \dfrac{\text{Profit attributable to shareholders}}{\text{Weighted average number of shares (by days) in issue for the year}}$

Shareholders' funds per share $= \dfrac{\text{Shareholders' funds}}{\text{Total issued and fully paid shares at the end of the year}}$

Gearing ratio $= \dfrac{\text{Net debt}}{\text{Total capital}}$

Interest cover $= \dfrac{\text{EBITDA}}{\text{Interest expense}}$

CORPORATE INFORMATION

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Website
www.dch.com.hk contains a description of the Company's business, copies of annual reports to shareholders, announcements, press releases and other information.

Stock Codes
The Stock Exchange of Hong Kong Limited: 01828
Bloomberg:1828:HK
Reuters:1828.HK

Share Registrars
Shareholders should contact our Registrars on matters such as transfer of shares, change of name or address, or loss of share certificates:
Tricor Investor Services Limited
26th Floor, Tesbury Centre,
28 Queen's Road East, Wanchai,
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Telephone: 2980 1333
Fax: 2810 8185

Investor Relations
Investors, shareholders and research analysts may contact the Investor Relations Department.
Telephone: 2768 3110
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Financial Calendar

Closure of Register:	15 May 2009 to 21 May 2009
Annual General Meeting:	21 May 2009, 10:30 a.m. Concord Room I, 8th Floor, Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong
Final Dividend payable:	27 May 2009

Annual Report 2008
Our Annual Report is printed in both English and Chinese and is also available on our website at www.dch.com.hk under the "Investor Relations" section.

Shareholders may choose to rely on the Annual Report posted on the Company's website. Shareholders may change their choice on this matter by writing to the Company's Share Registrars.

Shareholders having difficulty in gaining access to the document will promptly be sent printed copies free of charge upon request to the Company's Share Registrars.

Non-shareholders are requested to write to the Corporate Communications Department, Dah Chong Hong Holdings Limited, 8th Floor, DCH Building, 20 Kai Cheung Road, Kowloon Bay, Hong Kong, or by fax: 2562 6751 or by email: contact@dch.com.hk.

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