大昌行集團有限公司
DAH CHONG HONG HOLDINGS LIMITED

Vitality and Professionalism

OUR CHINA MOMENTUM

Annual Report 2009

Stock Code : 01828

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.

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BUSINESS HIGHLIGHTS

13.5%

Growth in Turnover of the Group

Motor and Motor Related Business

- Unit sales of vehicle in mainland China increased by 71.2%
- 19 vehicle brands were served, through 40 4S shops in mainland China with same store growth of 25.4% in unit sold
- Formed strategic alliance with Shenzhen Shenye Shiye Limited to secure eight 4S shops which immediately expanded DCH's footprint in Shenzhen, one of the major motor markets in Southern China
- Capture 26% share of Hong Kong new vehicles market and 50% share in environment-friendly vehicles segment
- *Foton* distributorship in Singapore and *Audi* dealership in Taiwan
- Construction of lubrication oil blending plant in Xinhui commenced
- Motor leasing business in Shanghai commenced

Food and Consumer Products Business

- Expanded FMCG business in mainland China by acquiring distributorships of world renowned brands including *Fonterra's Anlene* and *Anmum* milk powder products and *Brand's*
- The new acquisitions in Shanghai enriched the product mix and distribution network in mainland China, making contribution to the Group as business operation enhancement was undergoing
- Opened 3 new DCH Food Mart and DCH Food Mart Deluxe outlets increasing the total number to 72 (comprising 59 Food Mart and 13 Food Mart Deluxe outlets) in Hong Kong
- Substantially completed new food processing centre in Yuen Long, Hong Kong

Logistics Business

- New Yuen Long Logistics Centre in Hong Kong commenced full scale operations

FINANCIAL HIGHLIGHTS

17.5%

Growth in Profit from Operations

HK$ million	2009	2008
Turnover	**22,131**	19,496
Profit from operations	**1,000**	851
Major business segment profit after taxation		
Motor and Motor Related Business	**634**	485
Food and Consumer Products Business	**144**	144
Logistics Business	**25**	16
Other Business	**59**	62
Profit attributable to shareholders	**710**	563
Total debt	**2,436**	2,909
Cash and bank deposits	**1,895**	1,643
Net debt	**541**	1,266
Shareholders' funds	**5,457**	4,865
Total capital	**5,998**	6,131
Capital employed	**7,893**	7,774

HK cents	2009	2008
Earnings per share	**39.49**	31.30
Dividends per share		
Interim	**4.51**	6.43
Final	**11.29**	2.95

CHAIRMAN'S LETTER TO SHAREHOLDERS

The global financial crisis that erupted around the world in late 2008 has dealt an unprecedented blow to economies worldwide. Being a major trading conglomerate in Hong Kong, Dah Chong Hong Holdings Limited ("DCH") was inevitably affected by the economic turmoil. However, with a firm foundation in the mainland China market, we have been able to capitalise on the burgeoning economy to expand our businesses and were well-positioned to benefit from the economic stimulus package introduced by the Central Government to boost domestic consumption. Our mainland operations increased by 43% and made up over 63% of our turnover in 2009 and their strong performances more than offset the drop in business in the Hong Kong market.

The Group attributes its good performance for the year to the management's foresight of starting business in mainland China since the early 1980s and the resilience of the Chinese economy during the year. We are happy that, despite the financial tsunami, we achieved satisfactory growth in our 2009 results and have cemented our business foundation for delivering an even stronger performance in the future. I, as Chairman of the Group, am proud of the achievements the Group made at the hard work and concerted effort of the management and all staff.

Operating Results

For the year ended 31 December 2009, the Group recorded a total turnover of HK$22,131 million, an increase of 13.5% against the previous year (2008: HK$19,496 million). Profit attributable to shareholders grew by 26.1% to HK$710 million compared to HK$563 million in 2008. Basic earnings per share were 39.49 HK cents for the year. The Board of Directors proposed payment of a final dividend of 11.29 HK cents per share for the year ended 31 December 2009. Together with the interim dividend of 4.51 HK cents per share already paid during the year, total dividend for the year ended 31 December 2009 amounted to 15.80 HK cents per share.

In the two years since DCH was listed on The Hong Kong Stock Exchange Limited ("the Stock Exchange"), it has grown the scale of all its major businesses, namely motor, food and logistics, meeting its expectations despite the challenges in the past years. This is attributable to the Group's diversified business portfolio, its strong brand name and goodwill in the industry, long-term customer relationships, and most importantly, its ability to capture golden opportunities in the consistently robust mainland China economy.

For the Motor and Motor Related Business, the booming Chinese economy has presented it with ample room for development. We started with 29 4S shops and were dealers for 17 automobile brands before our listing in October 2007. And since listing, the coverage of this business segment has continued to expand and, as of today, it has 48 4S shops in

mainland China and is serving 19 automobile brands. With a business platform built over the past three decades, we have become one of the major players in the mainland automobile market and this solid platform will allow us to take the businesses to new heights.

In Hong Kong, however, our Motor Business experienced a sales slump during the first half of 2009. But fortunately, sales gradually recovered in the second half year. We monitored the market trend closely and responded accordingly and this allowed us to maintain a substantial market share of 26% of new vehicle sales in 2009.

During the year, we expanded our business to Taiwan and in Singapore. We started *Audi* dealership operations in Taiwan and added distributorship of the famous Chinese motor brand *Foton* in Singapore.

Food and Consumer Products Business is another important business segment for us. In recent years, the management has strived to expand this segment vertically and horizontally, shaping it into a "total food supply chain" with food production and processing operations upstream, food distribution midstream and food retailing downstream. In 2009, our fast moving consumer goods (FMCG) business achieved strong sales growth, thanks to the increasing demand for quality imported goods in mainland China and the addition of business from the operations acquired in 2008. These encouraging results partially offset the lower turnover of food commodities because of volatile market prices.

As for the Logistics Business, other than supporting and presenting synergies to our Food and Consumer Products Business, its third-party logistics business has been growing continuously. By investing in logistics infrastructure, including bonded warehouse and cold storage facilities in Xinhui, and the logistics centre in Hong Kong, we have assured fast growth of our Logistics Business in the long run.

Prospects

The commendable operational and business results of the Group achieved amid the harsh economic circumstances attest to the capability of DCH's management. This strong management team is fundamental to ensuring steady development of the Group in the future. Looking ahead to 2010, the Group will adopt more aggressive strategies in steering its three major businesses towards more robust growth.

For our Motor Business, according to industry forecasts, a total of 15 million automobiles will be sold in mainland China in 2010. To meet the needs of increasingly affluent consumers and demand bred by booming business activities in the market, we shall expand coverage of our 4S shops network to different cities and add six to ten 4S shops each year.

Anticipating moderate and steady growth for the Hong Kong market, we shall strive to improve profitability of our Motor Business in the market. We will actively promote vehicles that are friendly to the environment including electric vehicles in due course.

In 2010, DCH will also put more effort into developing and optimizing the Motor Related Business in mainland China which has promising growth prospects.

Regarding the Food and Consumer Products Business, the Group has substantial experience and an extensive network to support development of trading of food and consumer products. On this solid business platform, we shall enhance the competitive advantages of all our operations along the "total food supply chain". Seeing continuous high demand for quality imported food, we shall continue to expand the distribution networks and product portfolio of the FMCG segment in mainland China. With comprehensive support from our Logistics Business which will allow us to save costs and improve operational efficiency throughout the FMCG supply chain, we plan to tighten the relationship with our principals who would become our collaborative partners in the FMCG distribution business with long term prospects.

Logistics is another business area with growth potential. We are confident that, apart from bringing synergies to our food business, demand for international quality third-party logistics services in mainland China which we are apt to provide will keep increasing as the economy continues to grow.

Looking forward, building on our extensive experience and solid financial position as well as a strong professional management team, DCH will seek to tap the huge opportunities in mainland China.

Our Motor Business has a well-established business model and proven track record. We shall continue to ride on this model to build the business and are confident that it would flourish and remain the major contributor of the Group in coming years.

Furthermore, DCH will move on to realise the full potential of each part of its "total food supply chain", adding values and competitive advantages to the entire segment. We shall dedicate more efforts to expand the scale of our FMCG sector and with strong logistics support to forge long-term collaborative partnerships with our principals in FMCG distribution in mainland China. We expect these expansion efforts to help the food business to assume a larger share in our portfolio.

As for our Logistics Business, we shall invest in infrastructure, aiming to become one of the leaders in the Pearl River Delta and, at the same time, maximise the synergies it brings to food business.

The impacts of the global financial crisis are subsiding. As the navigator of the enterprise, I have learned valuable lessons from steering the businesses of the Group through turbulent waters in the past year. What underscores the success of DCH and its safe passage through different challenges are the clear development direction, healthy financial position and professional management team, and last but not least a united workforce. These strengths and attributes will enable us to advance in strides and achieve higher goals in the coming year and beyond.

Appreciation

On behalf of the Board of Directors, I would like to take this opportunity to thank all members of the DCH workforce for their efforts in the past year. I wish to also extend my appreciation to customers and business partners for their support. We will remain committed to building DCH and delivering promising returns to shareholders.

Hui Ying Bun *Chairman*

Hong Kong, 8 March 2010

HK$22,131m
TURNOVER OF THE GROUP

HK$710m
PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Operating Results

For the year ended 31 December 2009, the Group recorded total turnover of HK$22,131 million, an increase of 13.5% against the previous year (2008: HK$19,496 million). Profit attributable to shareholders grew by 26.1% to HK$710 million compared to HK$563 million in 2008. Excluding non-operating items, such as net valuation loss/gain from investment properties etc., the Group's adjusted net profit for the year amounted to HK$669 million, representing growth of 18.2% when compared to last year's HK$566 million. The adjusted net profit margin was 3.0% versus 2.9% in 2008. Basic earnings per share grew by 26.2% to 39.49 HK cents for the year. The Board of Directors proposed payment of a final dividend of 11.29 HK cents per share for the year ended 31 December 2009. Together with the interim dividend of 4.51 HK cents per share already paid during the year, total dividend for the year ended 31 December 2009 amounted to 15.80 HK cents per share.

Motor and Motor Related Business

Motor and Motor Related Business

Operating Results

Benefiting from the growing number of affluent consumers and commercial activities in mainland China, Motor and Motor Related Business achieved encouraging results. The strong performance of the mainland operation offset the unfavourable performance of other markets including Hong Kong with a slack business environment especially in the first half year. Fortunately, the Hong Kong and Macao market made modest improvements in the second half year as the economies began to gradually show signs of recovery.

Segment turnover was HK$15,572 million (2008: HK$12,790 million), an increase of 21.8%, despite the challenging environment. The business segment accounted for 70.4% of the Group's total turnover and remained the largest revenue source for the Group (2008: 65.6%).

Motor Business

Mainland China

At the Central Government's efforts including a RMB4 trillion stimulus package to promote economic activities in the wake of the global financial crisis, the mainland economy has remained relatively stable and resilient. Bolstered by strong domestic consumption, DCH's Motor Business enjoyed consistent growth during the year, reporting a 71.2% increase in number of vehicles sold.

Turnover of HK$11,677 million was achieved by the business in mainland China, representing a year-on-year increase of 57.8%. This was attributed to the outstanding sales of imported vehicles, *Bentley* and *Isuzu*, and the increased sales through our expanded 4S dealership network in mainland China.

The strategic alliance formed with Shenzhen Shenye Shiye Limited ("Shenye Shiye") after the Group acquired 50% interest in the company contributed to the growth of DCH's 4S dealership business in mainland China. Shenye Shiye holds eight 4S dealerships, seven in Shenzhen and one in Meizhou and among them are national leading 4S shops of the brands they represent. The acquisition immediately expanded DCH's footprint in Shenzhen, one of the major motor markets in Southern China. Riding on the scale of the operation and leading presence of Shenye Shiye, the alliance is expected to see more development and expansion opportunities in the future.

The Group now operates 48 4S shops (40 4S shops as at 31 December, 2009) (2008: 40) and represents 19 brands, including *Bentley, BJ Hyundai, Bugatti, Chevrolet, DongFeng Honda, DongFeng Nissan, FAW Audi, FAW Jilin, FAW Mazda, FAW Toyota, GAC Toyota, Guangqi Honda, Haima, Isuzu, Lexus, Mercedes-Benz, Qingling, Renault and SGM Buick.*

Serving a growing customer base, our 4S shops reported rise in same store car sales and service units by 25.4% and 19.3% respectively as compared with last year.

Hong Kong and Macao

The Motor Business in Hong Kong and Macao suffered in the economic downturn that swept the globe. The Hong Kong automobile market began to recover towards the second half year but the market size was still 29.3% lower than last year's and the Japanese car market share was overtaken by European cars because of the strong Yen and the growing share of the premium car segment. Sales of commercial vehicles fell even more sharply as a result of slow commercial activities in the Pearl River Delta region.

However, the Group was encouraged by the gradual recovery of the business during the second half year and captured 26% share of the market. Overall turnover from the Hong Kong and Macao Motor Business amounted to HK$3,186 million for the year (2008: HK$4,407 million). Of all the brands represented by the Group, *Audi* stood out in sales, overcoming the glooming economic climate to achieve a significant 21.1% increase in unit sales.

Although the market was relatively weak, the Group continued to look for ways and means to stimulate sales. In the environment-friendly vehicle sector, we have a wide range of models to offer, including *Audi Q7 TDI* clean diesel Quattro and *A3*, *Nissan Tiida*, *Murano* and *Serena* as well as *Honda Stepwgn*, and sold over 1900 units in 2009, with a market share of 50%.

As for the commercial vehicles market, DCH has obtained the distributorship of *Xiamen King Long* in Hong Kong to meet the rising needs for cross-border bus services.

As at 31 December 2009, the Group operated 12 showrooms and represented 11 brands in Hong Kong.

Other Markets

Taiwan

DCH entered the Taiwan market and started operation for the new *Audi* dealership in Taipei in April 2009. On 1st December, the first flagship "Audi Terminal" 4S shop in Taipei was opened, representing our efforts to build the Group's presence and the enhanced brand image of *Audi* on the island.

Singapore and Canada

As Singapore and Canada were both severely affected by the economic downturn, our business performance in the markets suffered and only slightly improved in the second half year. To meet local demands, DCH introduced *Foton*, a renowned mainland China passenger and commercial vehicle brand, to Singapore.

Motor Related Business

The sector continued to achieve satisfactory growth mainly at the drive of demand for after-market services and motor leasing business. In 2009, the Group extended its motor leasing business to Shanghai, reflecting its confidence in the mainland motor leasing market. For the Group's environmental and engineering business, the diesel particulate filter retrofit programme for bus operators in Hong Kong has been progressing smoothly.

Food and Consumer Products Business

Food and Consumer Products Business

Operating Results

Food and Consumer Products Business achieved turnover of HK$6,238 million, a decrease of 3.0% against last year's HK$6,428 million. This business segment accounted for 28.2% of the Group's total turnover (2008: 33.0%).

Mainland China

Segment turnover dropped by 3.6% to HK$2,272 million. Although fast moving consumer goods ("FMCG") recorded strong sales growth, the decline in sales of edible oil and the drop of commodity prices worldwide caused the decrease in turnover in 2009.

DCH's FMCG brands, such as *Pocari Sweat*, managed encouraging sales performances. In July, DCH commenced distribution of *Fonterra's Anlene* and *Anmum* brand milk powder products and expanded the nationwide distribution coverage for *Brand's Essence of Chicken* and its other products in mainland China, which generated additional turnover to the Group. Comprehensive marketing campaigns to boost sales of well-known products such as *Ferrero* (chocolate), *Almond Roca* (candies) were also rolled out and satisfactory results were achieved.

The newly acquired FMCG distribution companies in Shanghai have expanded DCH's distribution network and enriched its product range with new brands such as *Hero* (jam), *Country Goodness* (milk products) and *Arcor* (confectionaries), and contributed profits to the Group.

Hong Kong and Macao

The Food and Consumer Products Business in Hong Kong and Macao reported a decline in turnover of 4.3% when compared with the previous year. Turnover from the segment was HK$3,026 million compared to HK$3,162 million in 2008.

DCH's key FMCG agencies, in particular *Pocari Sweat* and *Ovaltine*, and the new addition *Mr. Brown*, achieved satisfactory sales in 2009. In the frozen food sector, the Group was able to maintain sales volume but a slight decline in turnover was recorded because of a drop in selling price in the first half of 2009.

With the addition of three new outlets in 2009, the Group operated a total of 72 retail outlets, including 59 DCH Food Mart and 13 DCH Food Mart Deluxe stores, at the end of the year. The economic downturn saw a reduction in sales of high-value items and hence a 10.9% decrease in same store sales per square foot when compared with 2008.

Turning to Consumer Products Business, sales of cosmetics remained steady whereas sales of electrical appliances dipped slightly compared with 2008.

Other Markets

Guangdong Victory Electrical Appliances Manufacturing Co., Ltd. experienced weak demand for small electrical home appliances in Europe and the U.S. after the global financial crisis but because of full year effect, its turnover increased as compared with 2008. In Japan, DCH's performance remained relatively stable with food and textiles as key sales drivers. However, in Singapore, both turnover and margin were down as a result of volatile food prices and low market demand.

Logistics Business

Logistics Business

Operating Results

Notwithstanding weak market sentiment and a tough operating environment, Logistics Business reported a 20.1% increase in turnover from third-party logistics services to HK$233 million compared to HK$194 million in 2008. Segment profit after taxation of HK$25 million was recorded against HK$16 million last year and segment margin was 10.7%, compared to 8.2% in 2008. Logistics operation accounted for 1.1% of the Group turnover in 2009. The better segment results for the year were owed to the higher margin contributed by our new Yuen Long Logistics Centre and enriched value-added services such as bonded repacking, vendor managed inventory, etc. in Xinhui in the latter half of the year.

Capitalising on its regional logistics platform, which covers Hong Kong, Macao and Xinhui, the Group offers cost-effective and value-added services to local and overseas customers including *7-Eleven*, *Heineken*, *Pizza Hut*, *Ferrero*, *Almond Roca*, *L'OCCITANE*, etc.

Motor and Motor Related Business

Motor and Motor Related Business, being the cornerstone of the Group, has consistently brought strong contribution to the Group's results. We expect the automobile market in mainland China to continue flourishing, and at Central Government efforts to stimulate consumption, sales momentum of automobiles to continue to gather. With such development working in its favour, the Group will step up efforts to expand its share in the mainland China market. The Group will keep expanding the number of 4S dealership by adding around six to ten in 2010.

Apart from 4S dealership business, car distributorship business is also one of the key strategic focuses of the Group in mainland China. In the super luxury sector, it is planned to increase the number of appointed dealers for *Bentley* from 9 in 2009 to 12 by the end of 2010.

In Hong Kong, we anticipate a 10% growth in automobile sales in 2010 with consumption sentiment gradually reviving. We will keep introducing new models to the market to cater for different customer needs, especially new models of environment-friendly vehicles including diesel passenger cars and electric vehicles. Investment will be made in new facilities including new showrooms for *Audi* and *Honda* and new service centre in Yuen Long, so as to maintain the Group's competitiveness in the market. Sales of commercial vehicles are also expected to improve alongside the overall market. As a leader in the truck and bus market, the Group will benefit from the recovering demand.

Expecting Asia to be the engine of the reviving global economy, DCH will continue to expand business in markets like Taiwan and Singapore. DCH will open the second *Audi* 4S shop in Hsinchu, Taiwan, to boost its ability to tap the lucrative luxury car sector on the island. We expect the introduction of *Foton* to Singapore in 2010 to help strengthen our foothold in the market.

The motor market in mainland China will present enormous opportunities to the Group for expanding its Motor Related Business. The Group has made a good start in motor leasing business in Northern China and the new business will have a strong boost during The World Expo which is to take place in Shanghai in 2010.

The strong growth in vehicle sales in mainland China naturally translates into strong growth in the after-sales market. To capture a larger share of the after-sales market, we shall, similar to Hong Kong, set up independent service outlet chains to provide all-round services in the vast mainland market.

To further its environmental protection related business following the diesel particulate filter retrofit programme in Hong Kong, DCH is looking into various environmental projects including reduction of NOx from emissions of buses now meeting Euro 3 standard or below and reduction of particulates in emissions of diesel engine driven vehicles in other markets.

After a year of preparation, the lubrication oil blending plant of the Group in Xinhui is expected to start production by the end of 2010, which will enhance the upstream capabilities of the segment.

Food and Consumer Products Business

As the demand for high quality imported foods among Chinese consumers rises, FMCG will become a major driving force of the Group's food business development. To grow this segment in 2010, the Group will focus on finding and introducing more quality products that meet the demands of consumers for imported food and beverage FMCG in mainland China and expand its business to more second tier cities.

DCH operates modern logistics facilities and offers high value-added services including repackaging and bonded warehousing in mainland China. These services will add value along the FMCG distribution supply chain in mainland China and enhance cost effectiveness and efficiency of FMCG operations, giving better support to overseas principals and suppliers. DCH will be able to forge closer relationship with its business partners and form long-term collaborative partnership conducive to continuous growth of the mainland China market.

In Hong Kong, frozen food business is expected to stabilise whereas commodity prices may continue to be volatile. For the FMCG segment, new products will be introduced to help it capture a larger market share and increase contribution to the Group. The new food processing centre, which is expected to commence operation in the first quarter of 2010, will double the food processing capacity of the Group and pave the way for it to diversify into the mass processed food market in Hong Kong. With the retail market showing signs of recovery, DCH plans to open around five DCH Food Mart and / or DCH Food Mart Deluxe outlets in Hong Kong in the coming year.

Logistics Business

The Group sees ample opportunities in the logistics market and will keep developing its logistics infrastructure in mainland China. In particular, DCH is expanding its logistics facilities in Xinhui, including an import and export bonded warehouse, cold storage facilities and other third-party logistics centres. All these are scheduled to begin operation by Q2 and Q3, 2010. Markets in Guangdong have consistent and growing demand for international standard third-party logistics and cold chain services. The addition of cold storage facilities will allow DCH to offer cold chain solution to customers, hence will significantly boost its competitiveness in capturing related demand.

In Hong Kong, DCH's Yuen Long Logistics Centre will become fully operational in the first quarter of 2010, providing the Group and its customers with more multi-temperature warehousing, repacking and food processing capacities. It will enhance the earning potential through the one-stop supply chain solution offered by the Group to our customers.

OUR SUCCESS STORY

DCH THRIVES UNDER A LEADER WHO KNOWS

DCH has thrived and grown in the past few decades into a sizeable conglomerate in Hong Kong and mainland China with a diversified and formidable business portfolio focusing on consumer products and services. It has a list of many extraordinary attributes and topping that list is its industry-admired management team led by Chairman, Mr. Hui Ying Bun. The "Entrepreneur of the Year (EOY) - China 2009" title from Ernst & Young won by Mr Hui bears witness to the strong and effective leadership and management excellence of DCH over the years.

A "home-groomed" leader who joined the Group in 1966, Mr. Hui has witnessed the growth of DCH into a multi-business conglomerate. He has played an instrumental role in founding the business in mainland China and shaping DCH as it grows by navigating its development with balanced strategy. To him, however, the credit of his win goes to the DCH management and staff who have lived the Group's values – **Vitality, Professionalism and China Momentum** – and turned them into its edges as proven in the track record of the Group.

Vitality – Keeping pace with the ever-changing market, DCH encourages innovative thinking and bold steps in development which explains its constantly expanding business portfolio and market coverage. This corporate value has been exemplified in the course of development of the integrated motor and related business network, the total food supply chain and modern logistics platform of the Group. Vitality is also the power behind the resilience that has taken the Group through many challenges and hard times.

Professionalism – DCH emphasises professionalism. Quality and effectiveness of business management and customer services are always on the top of its mind. To ensure healthy operations, the Group practises stringent corporate governance applying comprehensive monitoring measures. Quest for excellence has become part of the Group's corporate culture and continuous efforts are made to develop professional talents for supporting sustainable growth of DCH.

China Momentum – Growing with the Chinese economy has fuelled the development momentum of the Group. DCH started building presence in the mainland since 1978 when the market first opened and has been evolving and growing with the market. The Group has invested substantially in building its infrastructure and networks over the years and is entering the harvest stage today. It has armed itself for seizing the abundant opportunities arising in the booming market.

Having grown with DCH, Mr Hui knows the strengths of its staff and the importance of a strong and cohesive team to the success of DCH business in its industry. As such, he always maintains the principle of "People First" in the Group.. With Mr Hui leading the dedicated management team and experienced professionals, DCH is prepared to take its businesses forward in strong and steady strides in the years to come.

FINANCIAL REVIEW

Introduction

The Group's 2009 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.

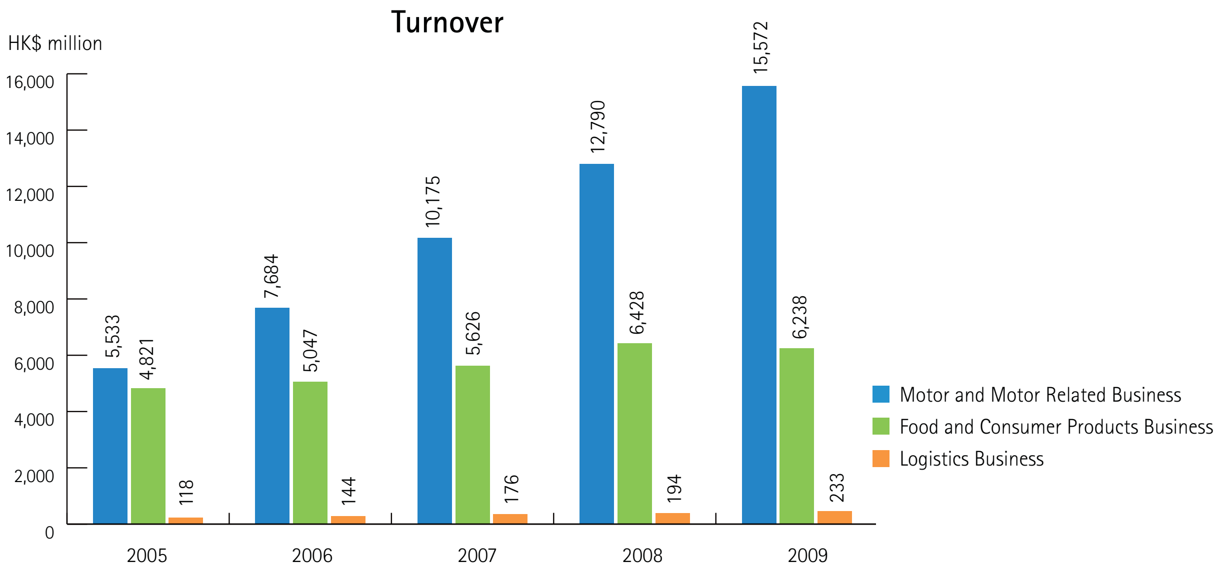
Turnover

Turnover in 2009 was HK$22,131 million, increased by 13.5% compared with HK$19,496 million in 2008, which was mainly contributed by the followings:

- **Motor and Motor Related Business**
  The turnover of Motor and Motor Related Business increased by 21.8% from HK$12,790 million for the year ended 2008 to HK$15,572 million for the year ended 2009. The growth was mainly attributable to the strong performance in mainland China with outstanding sales of imported vehicles and the increased sales through our expanded 4S dealership network in mainland China, partly offset by the unfavorable performance of Hong Kong and other markets with slack business environment under the impact of global financial crisis in the first half year.

- **Food and Consumer Products Business**
  The turnover of Food and Consumer Products Business decreased by 3.0% from HK$6,428 million for the year ended 2008 to HK$6,238 million for the year ended 2009. This was mainly due to the decline in sales of edible oil and the drop of food commodity price worldwide in 2009, partly offset by satisfactory sales growth of fast moving consumer goods ("FMCG") in mainland China.

- **Logistics Business**
  The turnover of Logistics Business grew by 20.1% from HK$194 million for the year ended 2008 to HK$233 million for the year ended 2009, in line with the expansion of logistic facilities in Yuen Long and Xinhui.



Segment Profit After Taxation

The segment profit after taxation by major reportable segments in 2009, compared with 2008, were as follows:

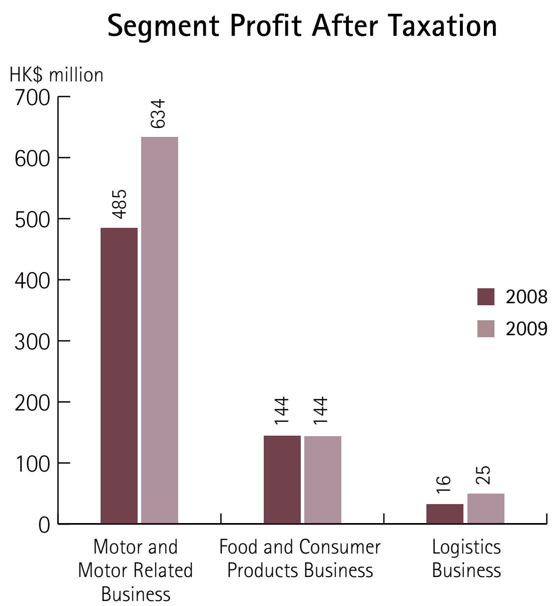
HK$ million	**2009**	2008	Change
Motor and Motor Related Business	**634**	485	149
Food and Consumer Products Business	**144**	144	-
Logistics Business	**25**	16	9

Note: Segment profit after taxation represents profit after taxation from each reportable segment including share of profits/(losses) of associates and jointly controlled entities. Items not specifically attributable to individual segment, such as corporate expenses, are not allocated to the reportable segments.

Comparing the segment profit after taxation of 2009 with 2008:

- **Motor and Motor Related Business**
  Segment profit after taxation increased by 30.7% to HK$634 million. This is attributable to the encouraging growth in sales and segment profit in mainland China market, spurred by the stimulus package of the Chinese government and increased contribution from our expanded 4S dealership network, partly offset by unfavorable performance in Hong Kong and overseas markets which were adversely affected by the economic downturn.

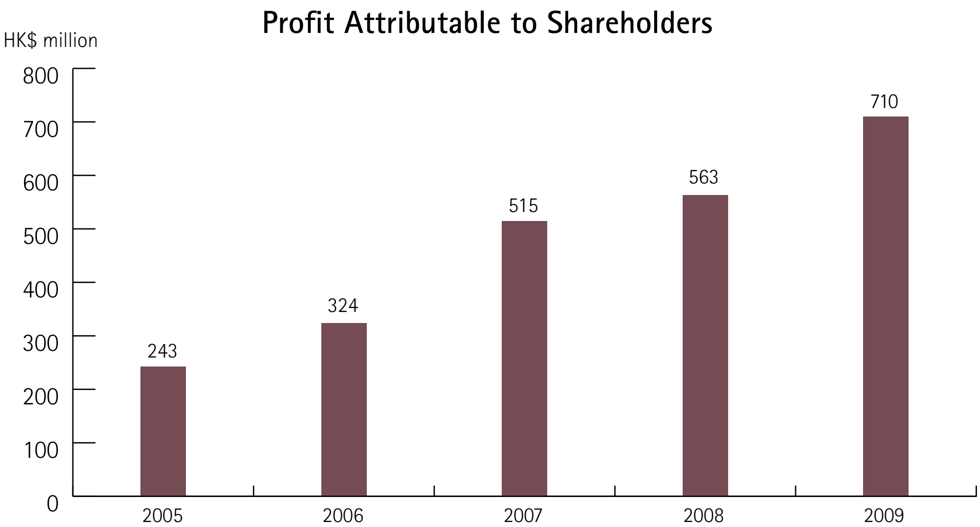
- **Food and Consumer Products Business**
  Despite the drop in turnover, both Hong Kong and mainland China market contributed higher segment profit than last year owing to higher gross margin for FMCG products and effective cost control measures. This was however offset by the unsatisfactory performance in overseas markets which were more affected by the global financial crisis.



- **Logistics Business**
  Segment profit after taxation increased by 56.3% to HK$25 million as the logistics facilities in Yuen Long and Xinhui gradually put into service. Profit margin was also improved with more value-added services to customers and suppliers.

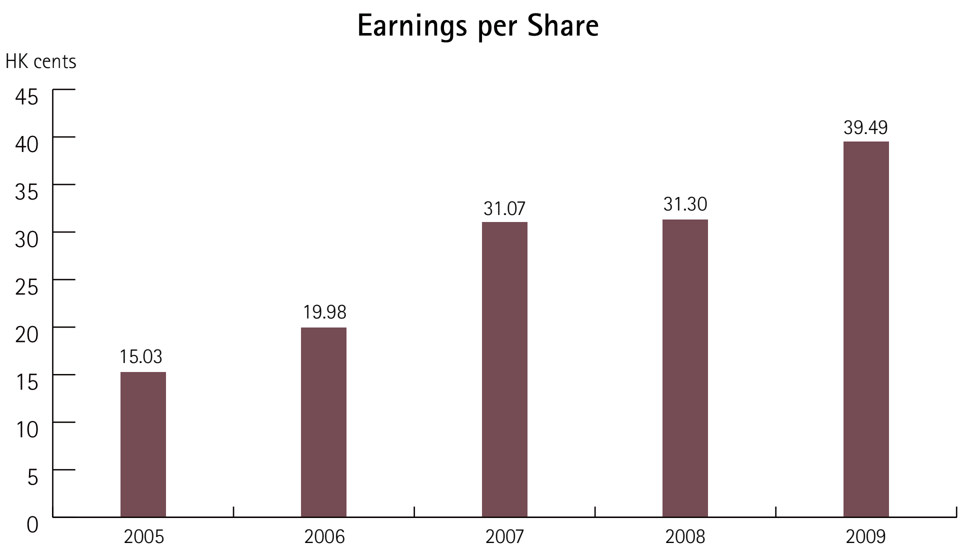
Profit Attributable to Shareholders

The profit attributable to shareholders of the Company for the year ended 31 December 2009 was HK$710 million, an increase of 26.1% as compared with HK$563 million in 2008.



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 1,797,833,000 ordinary shares (2008: 1,798,610,109 ordinary shares; 2007: 1,657,479,452 ordinary shares; 2006 and 2005: 1,620,000,000 ordinary shares after adjusting for the capitalisation issue in 2007). Earnings per share was 39.49 HK cents for 2009, an increase of 26.2% as compared with 31.30 HK cents of 2008, mainly attributable to the increase in profit.



Dividend per Share

An interim dividend of 4.51 HK cents per share was declared and paid for 2009. The Board of Directors proposed payment of a final dividend of 11.29 HK cents per share for the year ended 31 December 2009.

Finance Costs

The Group's finance costs decreased by 15.2% from HK$132 million in 2008 to HK$112 million in 2009 mainly due to repayment of borrowings and lower interest rate during the year.

Income Tax

Income tax increased by 25.8% from HK$190 million in 2008 to HK$239 million in 2009, in line with the increase in profit before taxation. Income tax charge for the year also included the de-recognition of deferred tax assets of HK$51 million arising from prior years' tax losses of a subsidiary as utilisation of which may not be probable, partly offset by the release of deferred tax provision of HK$30 million from origination and reversal of temporary differences.

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$5,457 million and the 1,797,833,000 ordinary shares issued at year end of 2009. Shareholders' funds per share at 31 December 2009 was HK$3.04 (31 December 2008: HK$2.71 per share).

Capital Expenditure

In 2009, the Group's capital expenditure was HK$481 million and major usages were summarised as follows:

Motor and Motor Related Business:	For developing new 4S dealerships in mainland China and acquisition of motor vehicles for leasing businesses in Hong Kong and mainland China
Food and Consumer Products Business:	Fixtures and fittings
Logistics Business:	For construction of logistics facilities in mainland China and Hong Kong
Other Business:	Properties, fixture and fittings
Corporate Office:	Fixture and fittings

HK$ million	2009	2008	Change
Motor and Motor Related Business	235	202	33
Food and Consumer Products Business	72	52	20
Logistics Business	71	118	(47)
Other Business	88	99	(11)
Corporate Office	15	9	6
Total	481	480	1

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 2009, HK$472 million was used by Motor and Motor Related Business for investment and acquisition of 4S shops in mainland China and acquisition of motor vehicles for leasing businesses in Hong Kong and mainland China; HK$122 million was used by Food and Consumer Products Business for investment in new businesses and new shops for Food Mart; HK$224 million was used by Logistics Business for development of logistics facilities 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.

Due to market limitations and regulatory constraints, operating entities outside Hong Kong are responsible for their own cash management and risk management which are monitored by head office. Overseas financing activities are reviewed and approved by 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 associated with the Group's borrowings.

The Group enters into foreign currency forward contracts primarily for hedging its sales and purchases that are denominated in currencies other than the functional currency of the operations to which they relate. As at 31 December 2009, the Group recognised foreign currency forward contracts with a fair value of HK$15 million liabilities (2008: HK$4 million liabilities) as financial instruments.

Interest Rate Exposure

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

In June and July 2008, the Group had entered into a number of interest rate swaps with a notional contract amount of HK$300 million to reduce the impact of interest rate fluctuation on its unsecured bank borrowings. The Group has not entered into any new interest rate hedging arrangement in 2009.

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 also carefully reviewed.

Cash Flow

Summary of Consolidated Cash Flow Statement

HK$ million	2009	2008	Change
Net cash generated from operating activities	**1,190**	393	797
Net cash used in investing activities	**(274)**	(671)	397
Net cash (used in) / generated from financing activities	**(735)**	149	(884)
Net increase / (decrease) in cash and cash equivalents	**181**	(129)	310

Net cash generated from operating activities

Operating profit before changes in working capital was HK$1,204 million in 2009 as compared to HK$1,057 million in 2008. After taking into account the decrease in working capital of HK$209 million which included decrease in inventories HK$125 million and increase in trade and other payables HK$127 million, partly offset by increase in trade and other receivables HK$43 million, cash generated from operations was HK$1,413 million in 2009.

In 2008, working capital increased by HK$437 million owing to increase in inventories by HK$213 million and decrease in trade and other payables by HK$626 million, partly offset by decrease in trade and other receivables of HK$402 million. Cash generated from operations in 2008 was HK$620 million.

After taking into account the tax paid of HK$223 million in 2009 (2008: HK$227 million), net cash generated from operating activities was HK$1,190 million (2008: HK$393 million).

Net cash used in investing activities

Payments for purchase of fixed assets and lease prepayments were HK$481 million (2008: HK$480 million). After netting off proceeds from disposal of fixed assets of HK$264 million (2008: HK$40 million) and taking into account net cash outflow from purchase of subsidiaries and other investments of HK$57 million (2008: HK$231 million), net cash used in investing activities was HK$274 million (2008: HK$671 million).

Net cash (used in) / generated from financing activities

Net cash used in financing activities was HK$735 million in 2009 as compared to net cash generated from financing activities of HK$149 million in 2008. This was mainly due to net repayment of loans HK$489 million in 2009 (2008: net proceeds from loans HK$368 million).

Group Debt and Liquidity

The financial position of the Group as at 31 December 2009, as compared to 31 December 2008, is summarised as follows:

HK$ million	2009	2008	Change
Total debt	**2,436**	2,909	(473)
Cash and bank deposits	**1,895**	1,643	252
Net debt	**541**	1,266	(725)

The original denomination of the Group's borrowings as well as cash and deposit balances by currencies as at 31 December 2009 is summarised as follows:

HK$ million equivalent	HKD	RMB	JPY	USD	CAD	SGD	Others	Total
Total debt	718	1,614	5	2	30	48	19	2,436
Cash and bank deposits	332	1,137	209	154	5	9	49	1,895
Net debt / (cash)	386	477	(204)	(152)	25	39	(30)	541

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 2009, the Group's gearing ratio was 9.0%, as compared to 20.6% at 31 December 2008.

HK$ million	2009	2008	Change
Net debt	541	1,266	(725)
Shareholders' funds	5,457	4,865	592
Total capital	5,998	6,131	(133)
Gearing ratio	9.0%	20.6%	(11.6%)

Net debt decreased in 2009 mainly due to reduction of RMB bank loans in mainland China partly offset by increase of HKD bank loans. The effective interest rate of the Group's borrowings as at 31 December 2009 was 4.1% as compared to 5.6% as at 31 December 2008.

Maturity Profile of Outstanding Debt

The Group manages its debt maturity profile actively based on its cash flow and refinancing ability during debt maturity. The borrowings were repayable as follows:

	HK$ million	% of total
Within 1 year or on demand	2,041	84%
After 1 year but within 2 years	170	7%
After 2 years but within 5 years	225	9%
Total	2,436	100%

Available Sources of Financing

In addition to cash and bank deposits of HK$1,895 million as at 31 December 2009 (2008: HK$1,643 million), the Group had undrawn available loan facilities totaling HK$1,778 million (2008: HK$1,346 million), of which HK$600 million was committed term loans and revolving loans (2008: HK$200 million) and HK$1,178 million was money market lines (2008: HK$1,146 million). It also had available trade facilities amounting to HK$4,067 million (2008: HK$2,985 million). Borrowings by sources of financing as at 31 December 2009 is summarised as follows:

HK$ million	Total	Utilised	Available
Committed Facilities:			
Term Loans and Revolving Loans	1,471	871	600
Uncommitted Facilities:			
Money Market Lines	2,702	1,524	1,178
Trading Facilities	5,555	1,488	4,067

Pledged Assets

As at 31 December 2009, the Group's assets of HK$799 million (31 December 2008: HK$823 million) were pledged in relation to financing of discounted bills in Japan, leasing of vehicles in Canada, issuance of bank acceptance drafts in mainland China, and the mortgage of land and buildings and inventories upon the acquisition of subsidiaries in mainland China.

Capital commitments

Capital commitments outstanding at 31 December 2009 not provided for in the financial statements were as follows:

HK$ million	2009	2008	Change
Contracted for			
- Capital expenditure	100	50	50
- Investment in an associate	41	51	(10)
- Investment in a jointly controlled entity	41	-	41
- Others	8	-	8
At 31 December	190	101	89
Authorised but not contracted for			
- Capital expenditure	246	249	(3)
- Others	12	14	(2)
At 31 December	258	263	(5)

Contingent Liabilities

The Company has issued guarantee to banks in respect of banking facilities granted to and utilised by certain subsidiaries. The Group did not have any material contingent liabilities as at 31 December 2009.

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 2009, the Group had complied with all of the above financial covenants.

FIVE YEAR SUMMARY

At year end (HK$ million)	**2009**	2008	2007	2006	2005
Shareholders' funds	**5,457**	4,865	4,282	3,655	3,374
Debt					
Total debt	**2,436**	2,909	1,947	863	783
Cash and bank deposits	**1,895**	1,643	1,653	742	531
Net debt	**541**	1,266	294	121	252
Gearing ratio	**9.0%**	20.6%	6.4%	3.2%	6.9%
Interest cover (times)	**12**	8	15	14	19
Total capital	**5,998**	6,131	4,576	3,776	3,626
Capital employed	**7,893**	7,774	6,229	4,518	4,157
Property, plant and equipment	**1,701**	1,634	810	665	539
Investment properties	**808**	910	786	707	587
Lease prepayments	**377**	270	160	67	22
Interest in associates	**130**	148	138	112	106
Interest in jointly controlled entities	**258**	234	165	160	108
Other financial assets	**5**	5	37	156	82

For the year (HK$ million)	**2009**	2008	2007	2006	2005
Profit attributable to shareholders	**710**	563	515	324	243
Earnings per share (HK cents)	**39.49**	31.30	31.07	19.98	15.03
Net valuation (loss) / gain on investment properties	**(12)**	(3)	127	112	77
EBITDA	**1,351**	1,093	914	614	495
Dividends per share (post-IPO)	**HK cents**	HK cents	HK cents		
Interim	**4.51**	6.43	N/A	N/A	N/A
Final	**11.29**	2.95	2.13 [Note 1]	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 year ended 31 December 2005 and the consolidated balance sheet as at 31 December 2005 have been prepared using 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	2009	2008	2007	2006	2005
Mainland China	**40,337**	23,556	21,699	17,528	9,409
Hong Kong	**7,526**	12,273	10,836	8,945	8,816
Macao	**1,083**	1,485	1,535	847	623
Total	**48,946**	37,314	34,070	27,320	18,848

Total number of 4S shops in mainland China

Year	2009	2008	2007	2006	2005
4S shops	**40**	40	30	23	17

Total number of motor vehicle showrooms in Hong Kong

Year	2009	2008	2007	2006	2005
Motor vehicle showrooms	**12**	13	14	14	14

Total number of DCH food retail outlets in Hong Kong

Year	2009	2008	2007	2006	2005
DCH Food Mart	**59**	57	50	51	49
DCH Food Mart Deluxe	**13**	12	5	–	–
Total	**72**	69	55	51	49

HUMAN RESOURCES

As at 31 December 2009, the Group had a total of 12,070 employees, including 1,921 employees from our associates and jointly controlled entities. There were 7,747 employees in mainland China, 4,040 employees in Hong Kong and 283 employees in other locations - Taiwan, Singapore, Japan and Canada.

Human Resources Management

Being an equal opportunity employer, the Group offers equal employment and advancement opportunities to all candidates and employees. Fair and consistent human resources policy and programs are also implemented. Furthermore, the Group upholds a high standard of business ethics and personal conduct of its employees. The Code of Conduct Policy is the behavioural guide published by the Group. It is updated regularly to reflect the new requirements of the Group and legislation. All employees are required to acknowledge their understanding of and compliance with the Code and business units are required on a semi-annual basis to report on their enforcement of and compliance with the Code.

Remuneration

The Group strives to attract, retain and motivate employees who have the relevant skills, knowledge and competencies to develop, support and sustain the continued success of our businesses. Remuneration schemes are reviewed annually to ensure their competitiveness. Subsequent to the introduction of the job grading system in the year before, the Group introduced a compensation structure in 2009 to strengthen internal equity and external competitiveness.

Remuneration of Executive Directors and Senior Management is monitored by the Remuneration Committee. This committee comprises of three Independent Non-Executive Directors and one Non-Executive Director. They exercise the powers of the Board to determine and review the remuneration packages of individual executive directors and senior management so as to align their remuneration with shareholders' interests.

Training and Development

The Group continues its efforts in staff training and development to support the need of the business and the individuals. The Group also actively encourages sharing of knowledge, skills and experience among employees of different business units and geographic locations through a variety of learning activities.

Furthermore, the Group invests in internship, apprenticeship and traineeship programs to nurture new talents.

Employee Relations

The Group contributes strenuously to enhance the sense of belonging and camaraderie among employees. The "Employee Wellness" Committee organizes various kinds of social and recreational activities regularly for employees for their enjoyment and relaxation and promoting team building and bonding. Concurrently, the "Community Support Programme" Committee organizes volunteering work for employees and their families to serve the local community.

Keeping the momentum of continuous improvement, the Group continues its "Quality Management Enhancement Programme" in Hong Kong as well as introducing it in mainland China and Taiwan. The efforts and results were directed towards achieving work effectiveness and efficiency, business profitability and service quality.

IN THE COMMUNITY

A Caring Company

As a good corporate citizen, the Group has been active in fulfilling its social responsibilities and encouraging its staff to participate in voluntary service to help the needy. During the year, the DCH "Community Support Programme" Committee organized a wide range of voluntary activities for the needy. For example, the Group worked with the Social Welfare Department in helping elderly affected in the Lower Ngau Tau Kok Estate reconstruction project. The Group also supported the sale of Oxfam Rice to raise donations by sponsoring all the rice and organizing staff and their families to join the campaign aiming at helping the poor in mainland China to improve their livelihood.

Also, the Group together with its staff and customers, more than 400 people in all, took part in the Walk for Millions 2009 of the Community Chest. Activities were also organized on Children's Day by the Group for children from families with members suffering from chronic illnesses in Yuen Long and Tin Shui Wai districts.

The Group puts "people first" and is dedicated in contributing to a better society and caring about its employees. With these attributes and emphases, the Group wore with pride the "Caring Company" logo for the eighth consecutive year in 2009.

Charitable work

The Group continued to work with different charities in 2009 by donating money or supplies to those in need with UNICEF, ORBIS, the Community Chest of Hong King, Oxfam Hong Kong and Hong Chi Association, etc. among the beneficiaries. To meet the urgent needs of minority groups and the disadvantaged, DCH continued to donate food and money to the food bank of Kwun Tong Methodist Social Service Centre.

Community well-being

As a member of the Hong Kong society, DCH spares no effort in supporting advancement of the society. The Group not only pledges support to government advocacy for environmental protection, but also puts its words into action. In 2009, the Group introduced a set of green measures in the office to promote "Recycle, Reuse and Reduce" and achieved good results. It was awarded the "Class of Good" certificates for "Waste-wise Label" and "Energy-wise Label" in the Hong Kong Awards for Environmental Excellence. The Group also organized a seminar with WWF for staff members to learn what they can do in daily life to lower carbon emissions and help the environment.

CORPORATE GOVERNANCE

Corporate Governance Practices

Dah Chong Hong Holdings Limited (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 2009, 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 2009.

Board of Directors

The Board currently comprises eight executive and six non-executive directors of whom three are independent (the biographies of the directors are set out on pages 41 to 43). Non-executive directors and independent non-executive directors accounted for 43% and 21% of the board composition respectively.

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 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, 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 five full board meetings in 2009. Individual attendance of each director at the board meetings, the Audit Committee and the Remuneration Committee meetings during the year 2009 is set out below:

	Attendance/Number of meetings		
Name of Director	Board	Audit Committee	Remuneration Committee
Executive Directors			
Hui Ying Bun — *Chairman*	5/5		
Chu Hon Fai — *Deputy Chairman*	5/5		
Yip Moon Tong — *Chief Executive Officer*	5/5		
Mak Kwing Tim	5/5		
Lau Sei Keung	5/5		
Tsoi Tai Kwan, Arthur	5/5		
Glenn Robert Sturrock Smith	5/5		
Non-executive Directors			
Ho Hau Hay, Hamilton(Note)	5/5		
Chan Chui Sheung, Stella(Note)	5/5		
Kwok Man Leung	5/5		1/1
Independent Non-executive Directors			
Cheung Kin Piu, Valiant *(Chairman of the Audit Committee)*	5/5	3/3	1/1
Hsu Hsung, Adolf *(Chairman of the Remuneration Committee)*	5/5	3/3	1/1
Yeung Yue Man	5/5	3/3	1/1

Note: Resigned as a director of the Company with effect from 1 January 2010.

Non-competition Undertaking

CITIC Pacific Limited ("CITIC Pacific") 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 of Hong Kong Limited and CITIC Pacific and/or its associates are regarded as a controlling shareholder of the Company under the Listing Rules, (i) CITIC Pacific will not engage and will procure its subsidiaries (excluding CITIC 1616 Holdings Limited ("CITIC 1616"), 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 to invest in any independent third party's business engaging in activities carried out by the Group, CITIC Pacific 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 has reviewed the business of its group (excluding CITIC 1616, the Company and their respective subsidiaries) and advised that during the year 2009, their business did not compete with the Group and there was no opportunity made available to CITIC Pacific to invest in any independent third party which was engaged in the same business as that of the Group. CITIC Pacific 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 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. 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 shareholders' interests.

During the year 2009, the Remuneration Committee held one meeting 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. The committee members consist of all the independent non-executive directors and a non-executive director (who was appointed on 21 May 2009 as a member of the Remuneration Committee) of the Company. Its members comprise:

Independent Non-executive Directors
Hsu Hsung, Adolf — *Chairman*
Cheung Kin Piu, Valiant
Yeung Yue Man

Non-executive Director
Kwok Man Leung

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 32 to 33. Directors' emoluments and retirement benefits are disclosed on pages 109 to 110 and page 128. Details of Pre-IPO Option Scheme and Post-IPO Option Scheme and the movement of the options during the year 2009 are disclosed on pages 65 to 68.

Nomination of Directors

There is no nomination committee of the Board for the time being. Candidates to be nominated as directors of the Company are experienced and high caliber individuals. Appointment of Mr Wai King Fai, Francis, Mr Yin Ke and Mr Fei Yiping as new directors of the Company was put to the full Board for approval. They are subject to re-election at the forthcoming annual general meeting of the Company.

Auditors' Remuneration

KPMG have been the Company's external auditors for over 30 years. During the year 2009, the fees charged to the financial statements of the Company and its subsidiaries for KPMG's statutory audit amounted to approximately HK$15.9 million (2008: HK$11.2 million). In addition, approximately HK$0.7 million (2008: HK$0.8 million) was charged for other services, including tax services and audit of retirement plans. The fees of recurring audit services of subsidiaries performed by other auditors amounted to approximately HK$3.4 million (2008: HK$3.4 million) and the fees of provision of other services was approximately HK$1.7 million (2008: HK$1.0 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:

Cheung Kin Piu, Valiant — *Chairman*
Hsu Hsung, Adolf
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 the Chief Financial Officer of the Group and auditors, both internal and external.

During the year 2009, 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 adequacy of staffing of the accounting and financial reporting function; 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 2009.

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 an Executive Director of the Company and the Chief Financial Officer of the Group, whose biographical details are set out in the Directors section on page 42.

To ensure the ongoing compliance with the amended Code which became effective 1 January 2009, the terms of reference of the Audit Committee have been revised to take into account the Board's responsibility for reviewing the adequacy of staffing of the accounting and financial reporting function and the oversight role of the Audit Committee. The revised terms of reference of the Audit Committee can be found in the Group's website.

Internal Audit

During the year 2009, the Group continued to engage the group internal audit department (the "IA") of CITIC Pacific 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 2009, 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 accordance with the latest Code requirement, the Audit Committee also reviewed and was satisfied with the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget for the year ended 31 December 2009.

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, Connected Transactions and Interim and Annual Reports

During the year 2009, the Company issued announcements and circulars in respect of a number of "notifiable transactions" and "connected transactions" which can be viewed on the Group's website. The annual and interim reports of the Company can also be viewed on the Group's website.

Communication with Shareholders

The Company's annual general meeting (the "AGM") is one of the principal channels of communication with its shareholders. It provides an opportunity for shareholders to ask questions about the Group's performance. Separate resolutions were 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 shall be taken by poll. Poll voting was conducted at the shareholders' meeting of the Company held during 2009 and the poll results have been 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 of the Group's affairs and of its results and cash flows for the year in accordance with Hong Kong Financial Reporting Standards, the requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules. 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. The adoption of certain new or amended accounting standards that became effective during the year has resulted in new and expanded disclosure in notes to the financial statements, yet adopting such new or amended accounting standards has not resulted in substantial changes to the Group's accounting policies and has no significant impact on the results reported for the year ended 31 December 2009, the details of which are disclosed on pages 84 to 85.

The responsibilities of the external auditors with respect to financial reporting are set out in the Independent Auditor's Report on pages 73 to 74.

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Hui Ying Bun *Chairman*
Aged 63, 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 64, 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 57, 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 61, a Director since July 2007. Mr Mak is the Executive-in-charge of a number of distributorship business 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 business 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 57, a Director since July 2007. Mr Lau is the Executive-in-charge of the motor dealership development and operation in the PRC, currently managing over 30 motor 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 61, 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 57, 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", a holding company of the Company and listed on the Hong Kong Stock Exchange) 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.

Wai King Fai, Francis

Aged 50, a Director since January 2010. Mr Wai 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 Company in June 2008. Mr Wai is a member of the Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Institute of Certified Public Accountants. Mr Wai has over 25 years of experience in the finance and accounting profession before joining the Company. Between 1992 to 2006, Mr Wai was appointed as the Chief Financial Officer of Hong Kong Dragon Airlines Limited and prior to that Mr Wai worked for Cathay Pacific Airways Limited, both were associated companies of CITIC Pacific.

Non-executive Directors

Kwok Man Leung

Aged 41, a Director since July 2007. Mr Kwok is a Chartered Financial Analyst. He is an executive director of CITIC Pacific, a non-executive director of CITIC 1616 Holdings Limited ("CITIC 1616", a fellow subsidiary of the Company and listed on the Hong Kong Stock Exchange), a director of CITIC Pacific Special Steel Co., Ltd., CITIC Guoan Co., Ltd. and New Hong Kong Tunnel Company Limited. Mr Kwok is also director of certain environmental and property companies.

Yin Ke

Aged 46, a Director since January 2010. Mr Yin is the chief executive officer, executive director and vice chairman of CITIC Securities International Company Limited, a director and vice chairman of CITIC Securities Co., Ltd. (listed on the Shanghai Stock Exchange), and a non-executive director of Zhongxing Shenyang Commercial Building Group Company Limited (listed on the Shenzhen Stock Exchange) and CITIC Pacific. Mr Yin is also actively involved in various professional associations including the Securities Association of China and the Securities Association of Shenzhen. Mr Yin was an executive secretary to the chief executive officer of the Shenzhen Stock Exchange when it was first established. He was formerly a director of ACT360 Solutions Limited (listed on the Toronto Stock Exchange) and CITIC Capital Holdings Limited. He has previously served as the deputy general manager of Shenzhen Investment Fund Management Limited, a director of CCB Principal Asset Management Company Limited, an executive director of Jun An Securities Limited, an executive director of Guo Tai Jun An Securities Company Limited, the executive director and president of China United Securities Limited.

Fei Yiping

Aged 46, a Director since January 2010. Mr Fei is the Group Financial Controller of CITIC Pacific, a director and the Chief Financial Officer of CITIC Hong Kong (Holdings) Limited ("CITIC HK"), and a non-executive director of CITIC 1616. He has over 10 years experience in accounting and financial management before joining the Company. He has been with CITIC Group (the ultimate holding company of the Company) since 1991. Between 2001 and 2008, Mr Fei first acted as Treasurer and Director of CitiSteel USA, Inc. and then as Vice President of CITIC USA Holdings, Inc. and Chief Representative of CITIC Group in New York. When he returned to China in 2008, he became Deputy Director-General of the Finance Department of CITIC Group.

Independent Non-executive Directors

Cheung Kin Piu, Valiant

Aged 64, 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 Hong Kong 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 (now known as Winteam Pharmaceutical Group Limited) from March 2004 to January 2009.

Hsu Hsung, Adolf

Aged 71, a Director since September 2007. Mr Hsu spent some 40 years with the Hong Kong Government and retired in 1998 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, a company listed on the Hong Kong Stock Exchange.

Yeung Yue Man

Aged 71, 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 completed his term in July 2009 as a member of the Commission on Strategic Development of Hong Kong Government.

Senior Management

Ho Yiu Kuen

Aged 62, 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 business. He joined the Group in September 1968. Mr Ho has more than 40 years experience in the motor industry.

Wong Siu Fat, Ringo

Aged 47, 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 58, 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 30 years of experience in logistics operations.

Kwong Sum Mei, Esther
Aged 53, 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 53, 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 53, is the President and Representative Director of DCH (Japan) Holding Co., Ltd. and Gouriki Property Development 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 28 years of experience in business development and management.

Wong Chit Chong
Aged 59, 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 40 years of experience in the motor operations in Singapore.

Liang Chun Kit, Henry
Aged 54, 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 over 20 years of experience in the motor operations in Canada.

Yan Mengying
Aged 61, 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 40 years of experience in planning and business management.

Ho Ming Kei, Wayne
Aged 49, 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 20 years of experience in corporate and business development operations.

Wong Hoi Ming, Alan

Aged 56, 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 55, 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 29 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 2009.

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 places of incorporation/establishment/operation, particulars of their share capital and principal activities are set out in note 40 to the financial statements.

Dividends

The Directors declared an interim dividend of 4.51 HK cents (2008: 6.43 HK cents) per share in respect of the year ended 31 December 2009 which was paid on 23 September 2009. The Directors recommended, subject to the approval of the shareholders at the forthcoming annual general meeting, the payment of a final dividend of 11.29 HK cents (2008: 2.95 HK cents) per share in respect of the year ended 31 December 2009 payable on 19 May 2010 to shareholders on the Register of Members at the close of business on 12 May 2010.

Financial Statements

The profit of the Group for the year ended 31 December 2009 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 75 to 151.

Transfer to Reserves

The amounts and particulars of transfer to and from reserves during the year are set out in the Consolidated Statement of Changes in Equity.

Charitable Donations

Charitable donations made by the Group during the year amounted to HK$0.9 million (2008: HK$2.8 million).

Fixed Assets

Details of the movements of fixed assets during the year are set out in note 14 to the financial statements.

Major Customers and Suppliers

During the year, the aggregate percentage of sales attributable to the Group's five largest customers are less than 30 percent. The information in respect of the Group's purchases attributable to the major suppliers during the year is as follows:

	Percentage of the Group's Total Purchase	
	2009	2008
The largest supplier	**12.7%**	13.7%
Five largest suppliers in aggregate	**41.7%**	32.9%

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 suppliers.

Borrowings

Particulars of borrowings of the Company and the Group as at 31 December 2009 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 Wai King Fai, Francis	(appointed with effect from 1 January 2010)
Mr Kwok Man Leung	
Mr Yin Ke	(appointed with effect from 1 January 2010)
Mr Fei Yiping	(appointed with effect from 1 January 2010)
Mr Cheung Kin Piu, Valiant	
Mr Hsu Hsung, Adolf	
Professor Yeung Yue Man	
Mr Ho Hau Hay, Hamilton	(resigned with effect from 1 January 2010)
Ms Chan Chui Sheung, Stella	(resigned with effect from 1 January 2010)

Biographical details of the existing directors of the Company are set out on pages 41 to 43 of the Annual Report 2009 of the Company.

In accordance with Article 95 of the New Articles of Association of the Company, Messrs Wai King Fai, Francis, Yin Ke and Fei Yiping will hold office only until the forthcoming annual general meeting and are then eligible for re-election. In addition, pursuant to Article 104(A) of the New Articles of Association of the Company, Messrs Mak Kwing Tim, Lau Sei Keung, Tsoi Tai Kwan, Arthur and Cheung Kin Piu, Valiant 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 ("CITIC Pacific", the controlling shareholder of the Company) 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 as commenced on 1 January 2007. The agreement shall continue thereafter in force from year to year but may be terminated if CITIC Pacific shall hold less than 30% of the shares of the Company or by either party giving six months' 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 and calculated in proportion to their departmental charges. Charges paid by the Company for year ended 31 December 2009 were HK$6.9 million (2008: HK$6.8 million).

The Company also entered into a trademark licence agreement on 28 September 2007 with CITIC Pacific, pursuant to which CITIC Pacific 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 months' written advance notice. No consideration is payable by the Company to CITIC Pacific for the use of the trademark.

CITIC Pacific 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 of Hong Kong Limited ("the Hong Kong Stock Exchange") and CITIC Pacific and/or its associates are regarded as a controlling shareholder of the Company under the Listing Rules, (i) CITIC Pacific 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 to invest in any independent third party's business engaging in activities carried out by the Group, CITIC Pacific 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 has executed an indemnity dated 28 September 2007 in favour of the Group under which CITIC Pacific 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 pursuant to the indemnity since 28 September 2007.

The Company also entered into certain tenancy arrangements with subsidiaries of CITIC Pacific, details of which are set out below under the heading of "Continuing 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, resigned as a director of Wal-Mart East China Stores Co., Ltd. and Jiangsu Wal-Mart Stores Co., Ltd. (together, "Wal-Mart JVs") in June 2009. Although the Wal-Mart JVs are engaged in hypermarket business in the mainland China, the Company did not regard the Wal-Mart JVs and the Company as directly competing with, or relying on, each other by reason that they operate with different business strategies, have different business 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.

Related Party Transactions

The Group has entered into certain transactions in the ordinary course of business and on normal commercial terms which were "Material related party transactions", details of which are set out in note 36 to the financial statements. Some of these transactions also constitute "Continuing Connected Transactions" or "Connected Transactions" under the Listing Rules as summarized below.

Connected Transactions

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

1. On 3 March 2009, Brilliant Way International Limited ("Brilliant Way", a wholly-owned subsidiary of the Company) and Denker Group Limited ("Denker") agreed to provide a shareholders' loan in an aggregate sum of HK$30,000,000 (the "PM Shareholders' Loan") by cash to Powerful Maker Limited ("Powerful Maker") on a pro rata basis with respect to their shareholdings in Powerful Maker. The PM Shareholders' Loan was to meet the funding requirements for the development and roll-out of the business operations of 寧波慈溪駿佳雷克薩斯汽車銷售服務有限公司 (Ningbo Cixi Junjia Lexus Motors Sale and Service Limited) (formerly known as 慈溪駿昌汽車技術服務有限公司 (Cixi Junchong Motor Service Company Limited)) ("Cixi Junjia") which provides vehicle sales, spare parts, services and conducts customer survey for the manufacturer or supplier in respect of the "Lexus" brand in Ningbo in the PRC.

   Powerful Maker is a 50:50 joint venture company established by Brilliant Way and Denker. Upon the establishment of Powerful Maker, each of Brilliant Way and Denker had made a shareholder's loan to Powerful Maker in the sum of HK$11,215,000.

   Denker is wholly owned by Mr Mak Hing Lung ("Mr Mak") who is a director and substantial shareholder of various subsidiaries of the Company. Powerful Maker is an associate of Mr Mak. Accordingly, Powerful Maker, Denker and Mr Mak are connected persons of the Company and the provision of the pro rata portion of the PM Shareholders' Loan made by Brilliant Way to Powerful Maker constituted a connected transaction for the Company under the Listing Rules.

2. On 2 April 2009, Boton Investments Limited ("Boton", a wholly-owned subsidiary of the Company) and Denker Group Development Limited ("Denker Development") agreed to provide a shareholders' loan in an aggregate sum of HK$20,000,000 (the "Kamfield Shareholders' Loan") by cash to Kamfield International Limited ("Kamfield") on a pro rata basis with respect to their shareholdings in Kamfield. The Kamfield Shareholders' Loan was to meet the funding requirements for the development and roll-out of the business operations of 上海駿佳雷克薩斯汽車銷售服務有限公司(Shanghai Junjia Lexus Motors Sale and Service Limited) (formerly known as 上海駿佳市場營銷策劃有限公司 (Shanghai Junjia Marketing Company Limited)) ("Shanghai Junjia") which provides vehicle sales, spare parts, services and conducts customer survey for the manufacturer or supplier in respect of the "Lexus" brand in Shanghai in the PRC.

   Kamfield is a 50:50 joint venture company established by Boton and Denker Development. Upon the establishment of Kamfield, each of Boton and Denker Development had made a shareholder's loan to Kamfield in the sum of HK$11,215,000.

   Denker Development is wholly owned by Mr Mak who is a director and substantial shareholder of various subsidiaries of the Company. Kamfield is an associate of Mr Mak. Accordingly, Kamfield, Denker Development and Mr Mak are connected persons of the Company and the provision of the pro rata portion of the Kamfield Shareholders' Loan made by Boton to Kamfield constituted a connected transaction for the Company under the Listing Rules.

3. DCH Food Industries Limited ("DCH Food", a wholly-owned subsidiary of the Company) together with Rotary Vortex Limited ("RVL") agreed to rationalize and streamline their respective interests in 上海雙匯大昌泰森有限公司 (Shanghai Shineway DCH Tyson Co., Ltd.) ("Shanghai Shineway"), a company engaged in the production and selling of processed meat and related food products, such that instead of holding a combined 40% interest through Mainstream Holdings Limited ("MHL", a joint venture company held as to approximately 65.09% by DCH Food and 34.91% by RVL upon completion of a restructuring involving RVL (the "RVL Restructuring")), each of DCH Food and RVL would hold their own shareholding of approximately 26.04% and 13.96% respectively in Shanghai Shineway (which was equivalent to their respective attributable interests).

   To give effect to the above reorganization, the following agreements were entered into on 5 June 2009:

   a. the equity transfer agreement between MHL and RVL whereby MHL agreed to sell to RVL a 13.96% equity interest in the registered capital of Shanghai Shineway for a consideration of RMB28,533,393.25 (the "Disposal"), which was paid by RVL in HK$ in the sum of HK$32,367,667.09. Such consideration was to set off against the outstanding shareholders' loans due and owing by MHL to RVL in the total amount of HK$32,367,667.09; and

   b. the share purchase agreement between DCH Food and RVL whereby DCH Food agreed to purchase the remaining 34.91% equity interest in the issued share capital of MHL from RVL for a consideration of HK$4,500 (the "Acquisition") (the Acquisition and the Disposal collectively referred to as the "Reorganisation").

   As RVL became a substantial shareholder of MHL upon completion of the RVL Restructuring but before completion of the Disposal and the Acquisition, each of the Disposal and the Acquisition constituted a connected transaction for the Company under the Listing Rules.

   The Reorganisation was completed in August 2009. MHL has become a wholly-owned subsidiary of the Company and each of DCH Food and RVL has held their own shareholding of approximately 26.04% and 13.96% respectively in Shanghai Shineway.

4. On 10 June 2009, 廣州廣保豐田汽車銷售服務有限公司 (Guangzhou Guangbao Toyota Motors Sale and Service Limited) ("Guangzhou Guangbao", a company accounted for as a non wholly-owned subsidiary of the Company) entered into an equity transfer agreement (the "Equity Transfer Agreement") with 廣州市騰創貿易有限公司 (Guangzhou Tengchuang Trade Co., Ltd.) ("TC") and 廣州建元物流有限公司 (Guangzhou Jiangyuan Material Trade & Logistics Co., Ltd.) ("JY"), pursuant to which Guangzhou Guangbao agreed to acquire the remaining 30% 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") from TC and JY at a total consideration of RMB16,750,375.06. Guangzhou Londge provides vehicles sales, spare parts, services and conducts customer survey for the manufacturer or supplier in respect of the "FAW Toyota" brand in Guangzhou, the PRC. Since completion, Guangzhou Longde has been accounted for as a wholly-owned subsidiary of Guangzhou Guangbao, which is in turn a company accounted for as a non wholly-owned subsidiary of the Company.

   TC and JY were, on the date of the Equity Transfer Agreement, substantial shareholders of Guangzhou Longde and therefore, connected persons of the Company. The entering into of the Equity Transfer Agreement constituted a connected transaction for the Company under the Listing Rules.

5. On 14 October 2009, Regal Pine Investments Limited ("Regal Pine", a wholly-owned subsidiary of the Company) entered into an agreement with Rich Crystal Investment Limited ("Rich Crystal", a wholly-owned subsidiary of CITIC Pacific) and CITIC Pacific, pursuant to which Regal Pine agreed to purchase from Rich Crystal a property located at Lot Nos. 392 and 393, both in Demarcation District 127 (to be known as Lot No. 423 in Demarcation District 127 under a new land grant), Kiu Tau Wai, Yuen Long, New Territories, Hong Kong (the "Property") for developing a motor service centre by way of acquiring the entire issued share capital of US$1 (the "Sale Share") of Linking Wisdom Ltd. ("Linking Wisdom"), a wholly-owned subsidiary of Rich Crystal, and the total outstanding principal together with all interests accrued thereon owed by Linking Wisdom to CITIC Pacific at completion (the "Debt"). Linking Wisdom is engaged in property development and its only asset is the Property with a site area of approximately 4,120 square meters.

   At completion of the acquisition of the Sale Share and the Debt (the "Acquisition") on 30 October 2009, Regal Pine entered into an assignment of debt (the "Assignment") with CITIC Pacific and Linking Wisdom, pursuant to which CITIC Pacific assigned the Debt to Regal Pine at a consideration equivalent to the face value of the Debt and such consideration was payable by Regal Pine to CITIC Pacific. At completion, Linking Wisdom was accounted for as a wholly-owned subsidiary of the Company.

   The aggregate consideration of the Acquisition was apportioned as (i) the Sale Share at HK$8; and (ii) the Debt at face value of HK$74,150,511.

   Rich Crystal and CITIC Pacific are connected persons of the Company as Rich Crystal is a wholly-owned subsidiary of CITIC Pacific which is a controlling shareholder of the Company. Therefore, the Acquisition constituted a connected transaction for the Company under the Listing Rules.

6. On 14 December 2009, Howlett Investments Limited ("Howlett", a wholly-owned subsidiary of the Company) entered into an agreement with Mr Wang Zhong Xian ("Mr Wang") and Ms Zhan Yun Ru ("Ms Zhan"), pursuant to which Howlett conditionally agreed to purchase an additional 11% equity interest in aggregate in 上海山隆實業有限公司 (Shanghai Sunny Life Enterprise) ("Sunny Life", a joint venture company owned as to 60% by Howlett and as to 20% by each of Mr Wang and Ms Zhan) from Mr Wang and Ms Zhan for a total consideration of RMB6,674,000.

Mr Wang and Ms Zhan are substantial shareholders and directors of Sunny Life, a non wholly-owned subsidiary of the Company. Accordingly, Mr Wang and Ms Zhan are connected persons of the Company and the acquisition of additional 11% equity interest in aggregate in Sunny Life constituted a connected transaction for the Company under the Listing Rules.

7. On 28 January 2010, Boton, Denker Development, the Company and Mr Mak entered into a financial assistance agreement (the "Shanghai JV Shareholders' Financial Assistance Agreement") for the purpose of providing additional funding to the Shanghai Project. The Shanghai Project is to develop and roll out the business operations of Shanghai Junjia which provides vehicle sales, spare parts, services and conducts customer survey for the manufacturer or supplier in respect of the "Lexus" brand in Shanghai in the PRC through Kamfield and Shanghai Junjia (together, the "Shanghai JV Group"). Pursuant to the Shanghai JV Shareholders' Financial Assistance Agreement, among other things, Boton and Denker Development agreed to provide and/or procure financial assistance for the benefit of the Shanghai Project of up to a maximum amount of RMB125,000,000 in the forms as stipulated therein.

   On 28 January 2010, Brilliant Way, Denker, the Company and Mr Mak entered into a financial assistance agreement (the "Ningbo JV Shareholders' Financial Assistance Agreement") for the purpose of providing additional funding to the Ningbo Project. The Ningbo Project is to develop and roll out the business operations of Cixi Junjia which provides vehicle sales, spare parts, services and conducts customer survey for the manufacturer or supplier in respect of the "Lexus" brand in Ningbo in the PRC through Powerful Maker and Cixi Junjia (together, the "Ningbo JV Group"). Pursuant to the Ningbo JV Shareholders' Financial Assistance Agreement, among other things, Brilliant Way and Denker agreed to provide and/or procure financial assistance for the benefit of the Ningbo Project of up to a maximum amount of RMB120,000,000 in the forms as stipulated therein.

   Denker Development, Denker, Kamfield and Powerful Maker are connected persons of the Company as described above. Shanghai Junjia and Cixi Junjia are wholly-owned by Kamfield and Powerful Maker, respectively. Therefore, the Shanghai JV Group and the Ningbo JV Group are associates of Mr Mak and thus connected persons of the Company. Thus, the entering into of the Shanghai JV Shareholders' Financial Assistance Agreement and the Ningbo JV Shareholders' Financial Assistance Agreement constituted connected transactions for the Company under the Listing Rules.

8. On 25 February 2010, DCH Food entered into an agreement (the "Agreement") with Perdue Farms Incorporated ("Perdue"), pursuant to which DCH Food agreed to acquire the remaining 40% interest (the "Acquisition") in Regal Heights Limited ("Regal Heights", a non wholly-owned subsidiary of the Company held as to 60% by DCH Food and 40% by Perdue). Under the Agreement, DCH Food purchased from Perdue (i) 4,000 shares of par value HK$1 each in Regal Heights, representing 40% of the entire issued share capital of Regal Heights owned by Perdue, at a consideration of HK$1; and (ii) all the interest-free shareholder's loans in the total amount of HK$50,668,301 advanced by Perdue to Regal Heights as at the date of completion of the Acquisition pursuant to the terms of the Agreement at a consideration of US$1,550,000. Upon completion of the Acquisition, Regal Heights will become a wholly-owned subsidiary of the Company.

   Regal Heights currently holds 76.77% interest in上海大昌江南鳳有限公司 (Shanghai DCH Jiangnanfeng Co., Ltd.) ("Jiangnanfeng", a Shanghai-Hong Kong equity joint venture). By acquiring the remaining 40% interest in Regal Heights, the Group will have a total attributable interest of 76.77% in Jiangnanfeng. After completion of the Acquisition, the Group intends to develop the land site held by Jiangnanfeng in Shanghai and develop the business of Jiangnanfeng into an upstream FMCG / food processing base.

   Perdue is a substantial shareholder of Regal Heights and is therefore a connected person of the Company. The Acquisition constituted a connected transaction for the Company under the Listing Rules.

Continuing Connected Transactions

The Group has entered into the following continuing connected transactions which constitute non-exempt continuing connected transactions 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 ("DAS") to Hong Kong Airport Services Limited ("HAS") at the Hong Kong International Airport**

   By an agreement for GSE maintenance and repair entered into between HAS and DAS, a non wholly-owned subsidiary of the Company, dated 17 July 1998, DAS, being one of the franchisees granted by the Airport Authority Hong Kong to provide GSE repair and maintenance services at the Hong Kong International Airport until 2013, agreed to provide the 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 amount of maintenance fees payable by HAS to DAS for the year ended 31 December 2009 is HK$25.8 million. The aggregate amount of maintenance fees paid by HAS to DAS during the year was HK$9.5 million which did not exceed the capped amount.

2. **Outsourcing of GSE services by DAS to DAS Aviation Support Limited ("DSL")**

   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 commenced from 1 January 2007 and ended on 31 December 2009.

   As disclosed in the Prospectus, the applicable capped amount of outsourcing fees payable by DAS to DSL for the year ended 31 December 2009 is HK$33.6 million. The aggregate amount of outsourcing fees paid by DAS to DSL during the year was HK$17.3 million which did not exceed the capped amount.

   The above outsourcing master agreement was renewed on 26 January 2010 for a term of three years from 1 January 2010 to 31 December 2012 with the annual cap for each of the financial years ending 31 December 2010, 2011 and 2012 to be HK$24.4 million, HK$35.7 million and HK$44.6 million respectively.

3. **Long-term maintenance services on unit load device by DAS Nordisk Limited ("DAS Nordisk") to Cathay Pacific Airways Limited ("CX")**

   Pursuant to a contract for unit load device ("ULD") maintenance and repair entered into between DAS Nordisk, a non wholly-owned subsidiary of the Company, and CX dated 17 September 2008, 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. CX is the holding company of KA and therefore a connected person of the Company.

   The amount of maintenance fees payable by CX to DAS Nordisk is subject to an annual cap of HK$60.0 million for the financial year ended 31 December 2009 and for each of the financial years ending 31 December 2010 and 2011. The aggregate amount of maintenance fees paid by CX to DAS Nordisk during the year was HK$32.6 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 expired 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 cap for the financial year ended, inter alia, 31 December 2009 to HK$58.0 million. The aggregate amount paid by DAS Nordisk to DAS during the year was HK$25.1 million which did not exceed the capped amount.

   The above outsourcing master agreement (as supplemented) was renewed on 26 January 2010 for a term of three years from 1 January 2010 to 31 December 2012 with the annual cap for each of the financial years ending 31 December 2010, 2011 and 2012 to be HK$30.0 million, HK$37.5 million and HK$46.8 million respectively.

5. **Purchases of ULD spare parts from Nordisk Asia Pacific Limited ("Nordisk Asia") by DAS Nordisk**

   Pursuant to a sale and purchase master agreement entered into between DAS Nordisk and Nordisk Asia dated 24 September 2007 (with a term expired 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 cap for the financial year ended, inter alia, 31 December 2009 to HK$21.0 million. The aggregate amount paid by DAS Nordisk to Nordisk Asia and its holding company, Nordisk Aviation Products a.s. during the year was HK$4.1 million which did not exceed the capped amount.

   The above sale and purchase master agreement (as supplemented) was renewed on 26 January 2010 for a term of three years from 1 January 2010 to 31 December 2012 with the annual cap for each of the financial years ending 31 December 2010, 2011 and 2012 to be HK$8.7 million, HK$10.9 million and HK$13.6 million respectively.

6. 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 subsidiaries of CITIC Pacific, for leasing the premises necessary for the operations of its business in Hong Kong and the PRC:

Agreement Date	Location	Monthly Rental	Term
Tenancies in Hong Kong:			
1 April 2009	7/F–12/F and 16/F, Broadway Centre, 93 Kwai Fuk Road, Kwai Chung, New Territories, Hong Kong (Notes i and ii)	HK$524,860.00	1 June 2009 to 31 May 2012
1 April 2009	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 (Note ii)	HK$864,526.50	1 June 2009 to 31 May 2012
1 April 2009	Factory Unit A (also known as Factory Unit 1), 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 (Note ii)	HK$203,968.00	1 June 2009 to 31 May 2012
1 April 2009	G/F, Portion of 1/F, Units 1A, 1B and 1C on 1/F, 2/F, 3/F, 7/F (storeroom) and 8/F of No. 111 Lee Nam Road, Ap Lei Chau, Hong Kong (Note ii)	HK$685,995.85	1 June 2009 to 31 May 2012
1 April 2009	DCH Building, No. 20 Kai Cheung Road, Kowloon, Hong Kong (Note ii)	HK$4,902,959.50	1 June 2009 to 31 May 2012
Tenancy in the PRC:			
2 January 2009	Units 1102–1105, 11th Floor, CITIC Square, 1168 Nanjing West Road, Shanghai, the PRC	RMB217,357.04	15 January 2009 to 14 January 2012

Notes:

i. The tenancy agreement has been supplemented by an agreement dated 30 December 2009 which sets out the monthly rental in respect of 7th to 12th Floors of Broadway Centre of HK$449,880. In respect of the tenancy for 16th Floor of Broadway Centre, this was surrendered and replaced by a tenancy with another subsidiary of CITIC Pacific for a term from 31 December 2009 to 31 May 2011 at a monthly rental of HK$74,980.

ii. To bridge the time gap between the expiry of the previous tenancies in Hong Kong on 31 December 2008 and the commencement of the new tenancies in Hong Kong contemplated under the Tenancy Agreements for the rentals negotiation and the obtaining of the necessary independent shareholders' approval of the new Tenancy Agreements in order for them to become effective, supplemental tenancy agreements and/or tenancy agreements were entered into on 2 January 2009 and 1 April 2009 to extend the previous tenancies in Hong Kong by a total of five months ended on 31 May 2009, all based on the same monthly rentals, terms and conditions.

iii. The Group had continued the tenancies for leasing Units 801-812 and Units 907 & 908A at CITIC Square, 1168 Nanjing West Road, Shanghai, the PRC during the year until their surrender on 15 March 2009 and 30 June 2009 respectively. Their monthly rental until their surrender was US$35,898.12 and RMB62,687.53 respectively.

The annual cap (including rentals, management fees and other outgoings (other than those which are collected by relevant landlords from the tenant for payments to independent third parties)) payable in respect of the tenancies in Hong Kong of the Tenancy Agreements for each of the financial years ended 31 December 2009 and ending 31 December 2010, 2011 and 2012 is HK$53.5 million, HK$92.0 million, HK$92.2 million and HK$38.6 million, respectively. The aggregate amount paid by the Group to the relevant landlords in respect of the tenancies in Hong Kong of the Tenancy Agreements during the year was HK$53.3 million which did not exceed the capped amount.

The annual cap on the rental payable in respect of the tenancy in the PRC of the Tenancy Agreements for each of the financial years ended 31 December 2009 and ending 31 December 2010 and 2011 is expected not to exceed RMB2.609 million. The aggregate amount paid by the Group to the relevant landlord in respect of the tenancy in the PRC of the Tenancy Agreements during the year was RMB2.5 million which did not exceed the capped amount.

7. Supply of various food products by the Group to Cathay Pacific Catering Services (H.K.) Limited ("CX Catering")

a. Supply of food commodities by Dah Chong Hong, Limited ("DCH") to CX Catering

On 12 February 2009, DCH entered into a master agreement with CX Catering whereby CX Catering might from time to time purchase from DCH food commodities including without limitation frozen meat and seafood, edible oils and such other food products to be agreed between the parties. The term of the agreement is for three years commencing 1 January 2009 and ending on 31 December 2011. The annual cap on the consideration received/receivable by DCH from CX Catering under the agreement for the financial year ended 31 December 2009 and for the financial years ending 31 December 2010 and 31 December 2011 is HK$7.5 million each year.

DCH is a wholly-owned subsidiary of the Company. CX Catering is a fellow subsidiary of KA, a substantial shareholder of certain non wholly-owned subsidiaries of the Company, and therefore is a connected person of the Company.

The aggregate amount received by DCH from CX Catering during the year was HK$0.4 million which did not exceed the capped amount.

b. Supply of various fast moving consumer goods by Sims Trading Company Limited ("SIMS") to CX Catering

On 12 February 2009, SIMS entered into a master agreement with CX Catering whereby CX Catering might from time to time purchase from SIMS various fast moving consumer goods including branded food and beverage and such other products to be agreed between the parties. The term of the agreement is for three years commencing 1 January 2009 and ending on 31 December 2011. The annual cap on the consideration received/receivable by SIMS from CX Catering of HK$9.5 million each year for the financial year ended 31 December 2009 and for the financial years ending 31 December 2010 and 31 December 2011 has been revised on 27 November 2009 to HK$11.5 million, HK$18.5 million and HK$21.0 million respectively.

SIMS is a wholly-owned subsidiary of the Company. CX Catering is a connected person of the Company as described above.

The aggregate amount received by SIMS from CX Catering during the year was HK$10.7 million which did not exceed the capped amount.

c. ***Supply of readily edible western style delicatessen food by Polyfood Food Service Co. Limited ("Polyfood") to CX Catering***

On 12 February 2009, Polyfood entered into a master agreement with CX Catering whereby CX Catering might from time to time purchase from Polyfood readily edible western style delicatessen food. The term of the agreement is for three years commencing 1 January 2009 and ending on 31 December 2011. The annual cap on the consideration received/receivable by Polyfood from CX Catering under the agreement for the financial year ended 31 December 2009 and for the financial years ending 31 December 2010 and 31 December 2011 is HK$14.0 million each year.

Polyfood is a 75%-owned subsidiary of the Company. CX Catering is a connected person of the Company as described above.

The aggregate amount received by Polyfood from CX Catering during the year was HK$4.9 million which did not exceed the capped amount.

8. On demand GSE maintenance services and vehicle repair services by DAS to CX Catering

On 12 February 2009, DAS entered into a master agreement with CX Catering whereby DAS might from time to time provide on demand GSE maintenance services and vehicle repair services requested by CX Catering. The term of the agreement is for three years commencing 1 January 2009 and ending on 31 December 2011. The annual cap on the consideration receivable by DAS from CX Catering under the agreement for the three financial years ending 31 December 2011 is HK$4.9 million, HK$6.6 million and HK$8.6 million respectively.

DAS is a 70%-owned subsidiary of the Company. CX Catering is a connected person of the Company as described above.

The aggregate amount received by DAS from CX Catering during the year was HK$2.9 million which did not exceed the capped amount.

9. Pre-existing tenancy agreement between DCH and CITIC Ka Wah Bank Limited ("CKWB")

By the tenancy agreement made between DCH as landlord and CKWB as tenant on 18 December 2008, DCH leased Shop No. G7, Ground Floor, Westlands Gardens, 1025–1037 King's Road, Quarry Bay, Hong Kong to CKWB.

DCH is a wholly-owned subsidiary of the Company. CKWB is a non wholly-owned subsidiary of CITIC Group. CITIC Group has become a majority shareholder of CITIC Pacific, the controlling shareholder of the Company, since 24 December 2008, rendering CITIC Group as a substantial shareholder and a connected person of the Company. By virtue of being an associate of CITIC Group, CKWB is a connected person of the Company.

Therefore, the above pre-existing tenancy agreement with a term of three years commencing from 15 February 2009 to 14 February 2012 at a rent of HK$268,000 per calendar month constituted a continuing connected transaction for the Company under the Listing Rules. The annual cap for the financial year ended 31 December 2009 and for each of the financial years ending 31 December 2010, 2011 and 2012 is HK$3.216 million.

The aggregate rental received by DCH from CKWB under the above pre-existing tenancy agreement during the year was HK$2.8 million which did not exceed the capped amount.

10. Supply of various food products by the Group to LSG Lufthansa Service Hong Kong Limited ("LSG")

a. Supply of food commodities by DCH to LSG

On 20 March 2009, DCH entered into a master agreement with LSG whereby LSG may from time to time purchase from DCH food commodities including frozen meat and seafood, edible oils, groceries and such other good products to be agreed between the parties. The term of the agreement is for three years commencing 1 January 2009 and ending on 31 December 2011. The annual cap on the consideration receivable by DCH from LSG under the agreement for each of the three financial years ending 31 December 2011 is HK$4.0 million.

DCH is a wholly-owned subsidiary of the Company. LSG is an associate of KA, a substantial shareholder of certain non wholly-owned subsidiaries of the Company, and therefore is a connected person of the Company.

The aggregate amount received by DCH from LSG during the year was HK$0.3 million which did not exceed the capped amount.

b. Supply of various fast moving consumer goods by SIMS to LSG

On 20 March 2009, SIMS entered into a master agreement with LSG whereby LSG might from time to time purchase from SIMS various fast moving consumer goods including branded food and beverage and such other products to be agreed between the parties. The term of the agreement is for three years commencing 1 January 2009 and ending on 31 December 2011. The annual cap on the consideration receivable by SIMS from LSG under the agreement for each of the three financial years ending 31 December 2011 is HK$5.5 million.

SIMS is a wholly-owned subsidiary of the Company. LSG is a connected person of the Company as described above.

The aggregate amount received by SIMS from LSG during the year was HK$2.3 million which did not exceed the capped amount.

c. Supply of readily edible western style delicatessen food by Polyfood to LSG

On 20 March 2009, Polyfood entered into a master agreement with LSG whereby LSG might from time to time purchase from Polyfood readily edible western style delicatessen food. The term of the agreement is for three years commencing 1 January 2009 and ending on 31 December 2011. The annual cap on the consideration receivable by Polyfood from LSG under the agreement for each of the three financial years ending 31 December 2011 is HK$9.8 million, HK$12.8 million and HK$19.2 million respectively.

Polyfood is a 75%-owned subsidiary of the Company. LSG is a connected person of the Company as described above.

The aggregate amount received by Polyfood from LSG during the year was HK$4.4 million which did not exceed the capped amount.

11. Sale and purchase of vehicles between 廣州駿佳凌志汽車銷售服務有限公司 (Guangzhou Junjia Lexus Motors Sale and Service Limited) ("Junjia") and 佛山市駿領雷克薩斯汽車有限公司 (Foshan Junling Lexus Motors Sale and Service Limited) ("Junling")

On 29 June 2009, Junjia entered into a master agreement with Junling whereby Junjia might from time to time sell vehicles to and purchase vehicles from Junling. The term of the agreement is for three years commencing from 1 January 2009 and ending on 31 December 2011.

The annual cap on the consideration receivable by Junjia from Junling in respect of the sales of vehicles by Junjia to Junling under the agreement for each of the three financial years ending 31 December 2011 is RMB12.0 million, RMB13.2 million and RMB14.52 million respectively.

The annual cap on the consideration payable by Junjia to Junling in respect of the purchase of vehicles by Junjia from Junling under the agreement for each of the three financial years ending 31 December 2011 is RMB12.0 million, RMB13.2 million and RMB14.52 million respectively.

Junjia is a company accounted for as a non wholly-owned subsidiary of the Company. Junling is an associate of Mr Mak who is a connected person of the Company as described above. Therefore, Junling is a connected person of the Company.

The aggregate amount received by Junjia from Junling in respect of the sales of vehicles by Junjia to Junling during the year was RMB9.0 million and the aggregate amount paid by Junjia to Junling in respect of the purchase of vehicles by Junjia from Junling during the year was RMB2.8 million, both of which did not exceed the respective capped amounts.

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 cap amounts 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, 7 to 8 and 10 to 11 were in accordance with the pricing policies of the Group. The auditors of the Company further found that for the transactions set out in Continuing Connected Transactions numbered 1 to 4, 7 to 8 and 10 to 11, 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.

12. Back-to-back indemnity by 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) ("Zhanjiang Junhua") to Mr Mak and Maintenance of a Cash Balance required of Guangzhou Guangbao with 中信銀行股份有限公司 (China CITIC Bank Corporation Limited) ("China CITIC Bank")

On 30 December 2009, Zhanjiang Junhua, a company accounted for as a wholly-owned subsidiary of the Company, provided a back-to-back indemnity in favour of Mr Mak for an amount of up to RMB20.0 million (the "Indemnity") in respect of 50% of Mr Mak's exposure under a guarantee dated 29 December 2009 provided by Mr Mak in favour of China CITIC Bank ("Mr Mak's Guarantee") to secure a revolving bank acceptance draft facility of up to RMB40,000,000 (the "Bank Acceptance Draft Facility") granted by China CITIC Bank to Guangzhou Guangbao, a company accounted for as a non wholly-owned subsidiary of the Company, which represents 100% of the maximum amount. The Bank Acceptance Draft Facility has a term of one year commencing on 1 January 2010 and expiring on 31 December 2010, under which China CITIC Bank will, on request, issue bank acceptance drafts in favour of FAW Toyota Motor Sales Co., Ltd for the purchase by Guangzhou Guangbao of motor vehicles in its ordinary and usual course of business. Guangzhou Guangbao will be required to maintain a cash balance of up to 20% of the maximum amount of the Bank Acceptance Draft Facility in a specified repayment account. The bank acceptance drafts will be repaid through the repayment account after the motor vehicles have been sold. The back-to-back indemnity provided by Zhanjiang Junhua will expire concurrently with Mr Mak's Guarantee, that is, two years from the date payment is made under the last bank acceptance draft issued by China CITIC Bank under the Bank Acceptance Draft Facility.

Mr Mak is a substantial shareholder and director of various non wholly-owned subsidiaries of the Company (including Guangzhou Guangbao). Therefore, Guangzhou Guangbao is a connected person of the Company. China CITIC Bank is a non wholly-owned subsidiary of CITIC Group, the ultimate holding company of CITIC Pacific, which in turn is a substantial shareholder of the Company. China CITIC Bank is also a connected person of the Company.

The Indemnity and the maintenance of a cash balance constituted continuing connected transactions of the Company.

13. Agency Agreement for the sale of goods to Anping Holdings Inc. ("Anping") by 廣東偉德利電器製造有限公司 (Guangdong Victory Electrical Appliances Manufacturing Co., Ltd.) ("GDVTR")

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, on 1 August 2008 for a term of six months expiring on 31 January 2009 under which Anping agreed to act as the selling agent for GDVTR. Anping is an associate of a director of GDVTR and therefore is a connected person of the Company. During the year, GDVTR and Anping had not carried out any transactions contemplated under the Agency Agreement.

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 the 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 members 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 2009 are set out below:

	Name of OPCO	Date of establishment of OPCO	Registered capital (Note xii) (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 OPCO Interest Beneficiary (Note xiii)	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) (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	21.76 (Note i)	張江長 (Zhang Jiangchang) (50%)	10.88 (Note ii)	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

	Name of OPCO	Date of establishment of OPCO	Registered capital(Note xii) (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 OPCO Interest Beneficiary (Note xiii)	Group's attributable interests	Subsidiary/ Associate/Jointly controlled entity
6.	上海上昌工貿有限公司 (Shanghai Shangchang Industry and Trading Limited)	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	鄧建良 (Deng Jianliang) (Note iii) (90%) 張江長 (Zhang Jiangchang) (10%)	9 1	Sims (China) Limited	100%	Subsidiary
10.	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) (41.50%) 上海大昌行經貿有限公司 (Shanghai Dah Chong Hong Trading Ltd.) (8.50%)	6 4.98 –	Triangle Motors (China) Limited	100%	Subsidiary
11.	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
12.	深圳市眾運汽車貿易有限公司 (Shenzhen Zhongyun Motors Trading Limited)	16 February 1998	25 (Note iv)	昆明合運汽車貿易有限公司 Kunming Heyun Motor Trading Co., Ltd. (Note v) (100%)	–	–	100%	Subsidiary
13.	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
14.	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
15.	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
16.	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
17.	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

	Name of OPCO	Date of establishment of OPCO	Registered capital (Note xii) (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 OPCO Interest Beneficiary (Note xiii)	Group's attributable interests	Subsidiary/ Associate/Jointly controlled entity
18.	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
19.	廣州眾協汽車貿易有限公司 (Guangzhou Zhongxie Motors Trading Limited)	28 September 2003	10	合眾汽車銷售服務（中國）有限公司 (Triangle Motor Sales and Services (China) Co., Ltd.) (Note vi) (100%)	–	–	100%	Subsidiary
20.	廣東大昌行喜龍二手車交易市場有限公司 (Guangdong Dah Chong Hong – Blissful Dragon Used Motors Trading Limited)	31 October 2003	19.22	蔡兆敏 (Cai Zhaomin) (22.68%) 廣東日產汽車貿易有限公司 (Guangdong Nissan Motor Trading Co., Ltd.) (Note vii) (34.03%)	4.36 –	Dah Chong Hong Motors (China) Limited	39.695%	Associate
21.	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
22.	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
23.	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
24.	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
25.	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
26.	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%) 鄧建良 (Deng Jianliang) (Note viii) (10%)	0.9 0.1	DCH Supply Chain Management Company Limited	100%	Subsidiary
27.	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) (90%) (Note ix) 江門市美昌汽車貿易有限公司 (Jiangmen Meichang Motors Trading Limited) (10%) (Note ix)	– –	–	90%	Subsidiary
28.	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

	Name of OPCO	Date of establishment of OPCO	Registered capital[Note xii] (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 OPCO Interest Beneficiary[Note xiii]	Group's attributable interests	Subsidiary/ Associate/Jointly controlled entity
29.	佛山駿安豐田汽車銷售服務有限公司 (Foshan Junan Toyota Motors Sale and Service Limited)	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 x]	Subsidiary
30.	廣州駿佳淩志汽車銷售服務有限公司 (Guangzhou Junjia Lexus Motors Sale and Service Limited)	24 March 2004	10	Mak Hing Lung (55%)	5.5	Profit Paradise Investments Limited	27.5%	Subsidiary
31.	廣州廣保豐田汽車銷售服務有限公司 (Guangzhou Guangbao Toyota Motors Sale and Service Limited)	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%) 胡麗紅 (Hui Lihong)[Note xi] (51%)	7.35 7.65	Sunny Linker Development Limited	49%[Note x]	Subsidiary
32.	佛山駿安商貿有限公司（前稱：佛山駿安大發汽車銷售服務有限公司）(Foshan Junan Trading Limited (formerly known as Foshan Junan Daihatsu Motors Sale and Service Limited))	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 x]	Subsidiary

Notes:

i. The registered capital was increased from RMB19 million to RMB21.76 million during the year.

ii. The amount of loan advanced was increased from RMB9.5 million to RMB10.88 million during the year.

iii. The Registered Owner was changed from 區兆昌 (Ou Zhaochang) to 鄧建良 (Deng Jianliang) during the year.

iv. The registered capital was increased from RMB15 million to RMB25 million. The increased capital of RMB10 million was made by 昆明合運汽車貿易有限公司 Kunming Heyun Motor Trading Co., Ltd., thereby rendering new shareholding percentages of the then 4 Registered Owners of this OPCO as set out in Note v below.

v. The Registered Owners were changed from 仲玉林 (Zhong Yulin) 24%, 上海眾鈴汽車銷售服務有限公司 (Shanghai Zhongling Motors Sale and Service Limited) (16%), 寧波眾鈴汽車貿易有限公司 (Ningbo Zhongling Motors Trading Limited) (16%) and 昆明合運汽車貿易有限公司 Kunming Heyun Motor Trading Co., Ltd. (44%) to 昆明合運汽車貿易有限公司 Kunming Heyun Motor Trading Co., Ltd. (100%) during the year. Since then, no further contractual arrangement was in place in respect of this OPCO.

vi. The Registered Owners were changed from 湛江市駿凱汽車技術服務有限公司 (Zhangjiang Junkai Motors Technology and Service Limited) (80%) and 仲玉林 (Zhong Yulin) (20%) to 合眾汽車銷售服務(中國)有限公司 (Triangle Motor Sales and Services (China) Co., Ltd.) (100%) during the year. Since then, no further contractual arrangement was in place in respect of this OPCO.

vii. 廣東日產汽車貿易有限公司(Guangdong Nissan Motor Trading Co., Ltd.) is a jointly controlled entity of the Group.

viii. The Registered Owner was changed from 江門大昌貿易行有限公司 (Dah Chong Hong (Jiangmen) Limited) to 鄧建良 (Deng Jianliang) during the year.

ix. 江門市寶昌汽車銷售服務有限公司(Jiangmen Buochang Motors Sale and Service Limited) acquired 80% of the equity contribution (including the 75% of the equity contribution held under the relevant contractual arrangement by 江門市美昌汽車貿易有限公司 (Jiangmen Meichang Motors Trading Limited)) of the OPCO from 江門市美昌汽車貿易有限公司 (Jiangmen Meichang Motors Trading Limited) during the year. Since then, no further contractual arrangement was in place in respect of this OPCO.

x. The Group holds 50% economic interest.

xi. The Registered Owner was changed from Mak Hing Lung to 胡麗紅 (Hui Lihong) during the year.

xii. Total investment amount is not applicable to each OPCO.

xiii. A member of the Group in Hong Kong or the PRC being the beneficiary in respect of the Contractual Arrangement(s) under the OPCO.

xiv. All the English names in brackets above are the English translation of the respective official names in Chinese and the English translation is for reference only.

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 and (iii) no dividends were declared by OPCOs for the year ended 31 December 2009.

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 terms of the Contractual Arrangements 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 2009.

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:

a. 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.

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

c. 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 Hong Kong Stock Exchange.

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

e. 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.

f. 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.

g. 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.

h. No options will be offered or granted under the Pre-IPO Scheme upon the commencement of dealings in the Company's shares on the Hong Kong 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 500,000 shares have lapsed during the year. The remaining contractual life of the options is 2.76 years.

A summary of the movements of options during the year ended 31 December 2009 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 1.1.09	Granted during the year ended 31.12.09	Lapsed/ Cancelled/ Exercised during the year ended 31.12.09	Balance as at 31.12.09	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%

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 1.1.09	Granted during the year ended 31.12.09	Lapsed during the year ended 31.12.09	Cancelled/ Exercised during the year ended 31.12.09	Balance as at 31.12.09	Percentage to the issued share capital
3.10.07	17.4.08– 2.10.12	5.88	10,600,000	–	500,000	–	10,100,000	0.562%

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:

a. 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.

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

c. 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 Hong Kong Stock Exchange or (ii) the shares in issue of the Company from time to time, whichever is the lower. As at 8 March 2010, 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.

d. 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.

e. 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.

f. 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.

g. 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 Hong Kong 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 Hong Kong 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.

h. 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.

Update on Directors' Information

Pursuant to Rule 13.51B(1) of the Listing Rules, set out below is the latest information regarding the monthly salary of the existing Executive Directors (except for Mr Wai King Fai, Francis who has been appointed as a director of the Company with effect from 1 January 2010) under their respective service contracts:

Name of Executive Director	**Monthly salary commencing on January 2010 HK$**	Monthly salary commencing on January 2009 HK$
Hui Ying Bun	**147,000**	140,000
Chu Hon Fai	**137,000**	130,000
Yip Moon Tong	**131,000**	125,000
Mak Kwing Tim	**126,000**	120,000
Lau Sei Keung	**121,000**	115,000
Tsoi Tai Kwan, Arthur	**121,000**	115,000
Glenn Robert Sturrock Smith	**121,000**	115,000

Notes:

i. The insurance premium and retirement benefits contributions of the Executive Directors are calculated as a percentage of their monthly salary pursuant to their respective service contracts. There is no change in such percentage.

ii. The discretionary bonus of the Executive Directors continues to be subject to the performance of the Company and the individual for the year ending 31 December 2010.

iii. For information regarding the full details of the Directors' remuneration for the year ended 31 December 2009, please refer to note 9 to the financial statements.

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 2009 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 i)	0.017%
Mak Kwing Tim	200,000	0.011%
Lau Sei Keung	500,000	0.028%
Tsoi Tai Kwan, Arthur	121,000 (Note ii)	0.007%
Glenn Robert Sturrock Smith	50,000	0.003%

Notes:

i. Jointly held with his spouse.

ii. 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

Name of director	Number of shares Personal interests	Percentage to the issued share capital
Hui Ying Bun	637,000	0.01746%
Chu Hon Fai	293,000	0.00803%
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 (Note)	5,000	0.00014%

Note: Resigned as a director of the Company with effect from 1 January 2010.

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

Name of director	Date of grant	Exercise period	Exercise price per share HK$	Number of options Balance as at 1.1.09	Granted during the year ended 31.12.09	Lapsed during the year ended 31.12.09	Exercised during the year ended 31.12.09	Cancelled during the year ended 31.12.09	Balance as at 31.12.09	Percentage to the issued share capital
Hui Ying Bun	1.11.04	1.11.04–31.10.09	19.90	300,000	–	–	300,000	–	–	
	20.6.06	20.6.06–19.6.11	22.10	300,000	–	–	–	–	300,000	
									300,000	0.008%
Chu Hon Fai	1.11.04	1.11.04–31.10.09	19.90	200,000	–	100,000	100,000	–	–	
	20.6.06	20.6.06–19.6.11	22.10	200,000	–	–	–	–	200,000	
									200,000	0.005%
Chan Chui Sheung, Stella (Note i)	16.10.07	16.10.07–15.10.12	47.32	600,000	–	–	–	–	600,000	
	19.11.09	19.11.09–18.11.14	22.00	–	200,000	–	–	–	200,000	
									800,000	0.022%
Kwok Man Leung	16.10.07	16.10.07–15.10.12	47.32	600,000	–	–	–	–	600,000	
	19.11.09	19.11.09–18.11.14	22.00	–	500,000	–	–	–	500,000	
									1,100,000	0.030%

Notes:

i. Resigned as a director of the Company with effect from 1 January 2010.

ii. The options were granted by CITIC Pacific, an intermediate holding company of the Company.

Save as disclosed above, as at 31 December 2009, 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 Hong Kong 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 2009, 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 of substantial shareholder	Number of shares of the Company	Percentage to the issued share capital
CITIC Group	1,054,800,000	58.67%
CITIC Pacific	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 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, 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

Neither the Company nor any of its subsidiary companies purchased or sold any of the Company's shares during the year ended 31 December 2009 and the Company did not redeem any of its shares during the year ended 31 December 2009.

Service Contracts

As at 31 December 2009, 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 2009.

By order of the Board
Hui Ying Bun *Chairman*
Hong Kong, 8 March 2010

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 75 to 151, which comprise the consolidated and Company balance sheets as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and Company statements 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' responsibility 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 2009 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

8 March 2010

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

HK$ million	Note	**2009**	2008
Turnover	4	**22,131**	19,496
Cost of sales		**(19,250)**	(16,785)
Gross profit		**2,881**	2,711
Net valuation loss on investment properties	14(a)	**(12)**	(3)
Other income	6	**405**	263
Selling and distribution expenses		**(1,275)**	(1,237)
Administrative expenses		**(999)**	(883)
Profit from operations		**1,000**	851
Finance costs	7(a)	**(112)**	(132)
Share of profits / (losses) of associates		**28**	(11)
Share of profits of jointly controlled entities	20(b)	**73**	64
Profit before taxation	7	**989**	772
Income tax	8	**(239)**	(190)
Profit for the year		**750**	582
Attributable to:			
Shareholders of the Company		**710**	563
Minority interests		**40**	19
		750	582
Basic and diluted earnings per share (HK cents)	13	**39.49**	31.30

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

HK$ million	2009	2008
Profit for the year	**750**	582
Exchange differences on translation of entities outside Hong Kong:		
— subsidiaries	**10**	176
— associates and jointly controlled entities	**—**	8
Other comprehensive income for the year, net of tax	**10**	184
Total comprehensive income for the year	**760**	766
Attributable to:		
Shareholders of the Company	**718**	742
Minority interests	**42**	24
	760	766

CONSOLIDATED BALANCE SHEET

At 31 December 2009

HK$ million	Note	2009	2008
Non-current assets			
Fixed assets	14(a)		
– Property, plant and equipment		**1,701**	1,634
– Investment properties		**808**	910
		2,509	2,544
Lease prepayments	15	**377**	270
Intangible assets	16	**263**	241
Goodwill	17	**287**	282
Interest in associates	19	**130**	148
Interest in jointly controlled entities	20	**258**	234
Other financial assets	21	**5**	5
Deferred tax assets	30(a)	**40**	58
		3,869	3,782
Current assets			
Inventories	23	**2,621**	2,691
Trade and other receivables	24	**3,075**	3,047
Current tax recoverable		**15**	14
Cash and bank deposits	25	**1,895**	1,643
		7,606	7,395
Current liabilities			
Borrowings	26	**2,041**	2,389
Trade and other payables	27	**3,002**	2,826
Current tax payable		**77**	82
		5,120	5,297
Net current assets		**2,486**	2,098
Total assets less current liabilities		**6,355**	5,880
Non-current liabilities			
Borrowings	26	**395**	520
Deferred tax liabilities	30(a)	**204**	200
		599	720
Net assets		**5,756**	5,160

HK$ million	Note	2009	2008
Capital and reserves	31		
Share capital		**270**	270
Reserves		**5,187**	4,595
Total equity attributable to shareholders of the Company		**5,457**	4,865
Minority interests		**299**	295
Total equity		**5,756**	5,160

Approved and authorised for issue by the board of directors on 8 March 2010.

Hui Ying Bun
Director

Yip Moon Tong
Director

BALANCE SHEET

At 31 December 2009

HK$ million	Note	2009	2008
Non-current assets			
Investment properties	14(b)	**118**	166
Investment in subsidiaries	18	**19**	19
		137	185
Current assets			
Property held for sale	22	**53**	–
Trade and other receivables	24	**3,253**	2,524
Cash and bank deposits	25	**179**	400
		3,485	2,924
Current liabilities			
Borrowings	26	**475**	30
Trade and other payables	27	**371**	149
		846	179
Net current assets		**2,639**	2,745
Total assets less current liabilities		**2,776**	2,930
Non-current liabilities			
Borrowings	26	**225**	520
Deferred tax liabilities	30(a)	**15**	15
		240	535
Net assets		**2,536**	2,395
Capital and reserves	31		
Share capital		**270**	270
Reserves		**2,266**	2,125
Total equity		**2,536**	2,395

Approved and authorised for issue by the board of directors on 8 March 2010.

Hui Ying Bun
Director

Yip Moon Tong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

HK$ million	Attributable to shareholders of the Company												
	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	(31(a))	(31(b))	(31(c))	(31(d))	(31(e))	(31(f))	(31(g))	(31(h))	(31(i))				
At 1 January 2008	270	976	237	143	20	1	27	257	2	2,349	4,282	99	4,381
Total comprehensive income for the year	–	–	–	–	–	–	–	179	–	563	742	24	766
Acquisition of interests from minority shareholders	–	–	–	–	–	–	–	–	–	–	–	(2)	(2)
Capital injection from minority shareholders	–	–	–	–	–	–	–	–	–	–	–	1	1
Minority interests arising from acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	174	174
Repurchase of own shares	–	–	–	–	–	–	–	–	–	(5)	(5)	–	(5)
Transfer from retained profits	–	–	2	–	6	–	–	–	–	(8)	–	–	–
Lapse of share options	–	–	–	–	–	–	(1)	–	–	1	–	–	–
Dividends (Note 12)	–	–	–	–	–	–	–	–	–	(154)	(154)	(1)	(155)
At 31 December 2008	270	976	239	143	26	1	26	436	2	2,746	4,865	295	5,160
At 1 January 2009	**270**	**976**	**239**	**143**	**26**	**1**	**26**	**436**	**2**	**2,746**	**4,865**	**295**	**5,160**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**8**	**–**	**710**	**718**	**42**	**760**
Acquisition of interests from minority shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1)**	**(1)**
Changes in interests of minority shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(47)**	**(47)**
Capital injection from minority shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3**	**3**
Acquisition of interest in subsidiaries	**–**	**–**	**8**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**8**	**7**	**15**
Transfer from retained profits	**–**	**–**	**1**	**–**	**9**	**–**	**–**	**–**	**–**	**(10)**	**–**	**–**	**–**
Lapse of share options	**–**	**–**	**–**	**–**	**–**	**–**	**(1)**	**–**	**–**	**1**	**–**	**–**	**–**
Dividends (Note 12)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(134)**	**(134)**	**–**	**(134)**
At 31 December 2009	**270**	**976**	**248**	**143**	**35**	**1**	**25**	**444**	**2**	**3,313**	**5,457**	**299**	**5,756**

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

HK$ million	Share capital	Share premium	Share option reserve	Retained profits	Total
Note	(31(a))	(31(b))	(31(g))	(31(j))	
At 1 January 2008	270	976	27	676	1,949
Total comprehensive income for the year	–	–	–	605	605
Repurchase of own shares	–	–	–	(5)	(5)
Lapse of share options	–	–	(1)	1	–
Dividends (Note 12)	–	–	–	(154)	(154)
At 31 December 2008	270	976	26	1,123	2,395
At 1 January 2009	**270**	**976**	**26**	**1,123**	**2,395**
Total comprehensive income for the year	**–**	**–**	**–**	**275**	**275**
Lapse of share options	**–**	**–**	**(1)**	**1**	**–**
Dividends (Note 12)	**–**	**–**	**–**	**(134)**	**(134)**
At 31 December 2009	**270**	**976**	**25**	**1,265**	**2,536**

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2009

HK$ million	Note	2009	2008
Operating activities			
Profit before taxation		**989**	772
Adjustments for:			
– Net valuation loss on investment properties		**12**	3
– Depreciation and amortisation		**250**	189
– Impairment loss on trade and other receivables		**32**	22
– Impairment loss on amount due from a jointly controlled entity		**–**	1
– Impairment loss on fixed assets		**12**	2
– Impairment loss on intangible assets		**2**	1
– Finance costs		**112**	132
– Interest income		**(12)**	(27)
– Share of (profits) / losses of associates		**(28)**	11
– Share of profits of jointly controlled entities		**(73)**	(64)
– Net gain on changes in interests of minority shareholders		**(1)**	–
– Net gain on disposal of fixed assets		**(92)**	–
– Net loss on disposal of subsidiaries		**1**	–
– Net gain on disposal of jointly controlled entities		**(5)**	(9)
– Net gain on disposal of certain assets and novation of certain business contracts		**–**	(16)
– Net gain on disposal of unlisted investments		**–**	(1)
– Net gain on acquisition of subsidiaries		**–**	(3)
– Foreign exchange loss		**5**	44
Operating profit before changes in working capital		**1,204**	1,057
Decrease / (increase) in inventories		**125**	(213)
(Increase) / decrease in trade and other receivables		**(43)**	402
Increase / (decrease) in trade and other payables		**127**	(626)
Cash generated from operations		**1,413**	620
Tax paid:			
– Hong Kong Profits Tax paid		**(78)**	(69)
– Taxation outside Hong Kong paid		**(143)**	(158)
– Withholding tax paid		**(2)**	–
Net cash generated from operating activities		**1,190**	393

HK$ million	Note	2009	2008
Investing activities			
Payment for purchase of fixed assets		**(373)**	(466)
Payment for purchase of lease prepayments		**(108)**	(14)
Proceeds from disposal of fixed assets		**264**	40
Proceeds from disposal of certain assets and novation of certain business contracts		**–**	16
Acquisition of interests from minority shareholders		**(1)**	(2)
Capital injection from minority shareholders		**3**	1
Advances to associates		**(2)**	(24)
Capital injection to associates		**(9)**	(18)
Repayment of amounts due from jointly controlled entities		**2**	3
Repayment of advances to jointly controlled entities		**5**	–
Capital injection to jointly controlled entities		**(4)**	(15)
Net cash outflow from purchase of subsidiaries	32(v)	**(16)**	(210)
Net cash outflow from purchase of business	32(v)	**(16)**	–
Net cash inflow from disposal of subsidiaries		**1**	1
Interest received		**12**	27
Dividend received from jointly controlled entities		**34**	24
Proceeds from disposal of a jointly controlled entity		**–**	4
Proceeds from disposal of unlisted investments		**–**	41
Repayment of amount due from a fellow subsidiary		**–**	23
Increase in deposits with banks		**(66)**	(102)
Net cash used in investing activities		**(274)**	(671)
Financing activities			
Proceeds from loans		**2,888**	3,120
Repayment of loans		**(3,377)**	(2,752)
Payment for repurchase of shares		**–**	(5)
Advances from minority shareholders		**–**	73
Interest paid		**(112)**	(132)
Dividends paid to shareholders of the Company		**(134)**	(154)
Dividends paid to minority shareholders		**–**	(1)
Net cash (used in) / generated from financing activities		**(735)**	149
Net increase / (decrease) in cash and cash equivalents		**181**	(129)
Cash and cash equivalents at 1 January		**1,464**	1,554
Effect of foreign exchange rates changes		**2**	39
Cash and cash equivalents at 31 December	25	**1,647**	1,464

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").

(b) Impact of new and revised HKFRSs and HKASs

The Group has adopted certain relevant new and revised HKFRSs and HKASs which are effective for accounting period beginning on or after 1 January 2009 as set out below.

(i) HKAS 1 (Revised) "Presentation of Financial Statements"

The adoption of HKAS 1 (Revised) changes certain presentation of the financial statements. Under the revised standard, details of changes in equity during the year arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in the statement of changes in equity. All other items of income and expense are presented in the income statement, if they are recognised as part of profit or loss for the year, or otherwise in the statement of comprehensive income. The new presentation has been adopted and the comparative figures have been restated to conform to the new presentation. This change in presentation has no effect on the Group and the Company's net assets and profit or loss for any period presented.

(ii) Amendments to HKFRS 7 "Financial instruments: Disclosure — Improving Disclosures about Financial Instruments"

As a result of the adoption of the amendments to HKFRS 7, the financial statements include expanded disclosures in note 33(e) about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Group has taken advantage of the transitional provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

(iii) HKFRS 8 "Operating Segments"

HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's senior executive management, and has resulted in additional reportable segments being identified and presented (see note 5). Comparative figures have been restated to conform to the requirements of HKFRS 8.

1. Significant accounting policies (continued)

(b) Impact of new and revised HKFRSs and HKASs (continued)

(iii) HKFRS 8 "Operating Segments" (continued)

The Group has early adopted the amendments to HKFRS 8, which is effective for accounting periods beginning on or after 1 January 2010. As a result of the early adoption of the amendments, segment assets are not disclosed as such information is not regularly provided to the Group's senior executive management.

(iv) The adoption of the following new or amended standards and interpretations, which are effective for accounting period beginning on or after 1 January 2009, does not have a significant impact on the Group's results of operations and financial position:

HKAS 23 (Revised)	Borrowing Costs
HK(IFRIC) – Interpretation 13	Customer Loyalty Programmes
Improvements to HKFRSs (2008)	Improvements to HKFRSs (including amendments to HKAS 19, 27, 28, 31, 36, 38, 39 and 40)

(c) 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 major sources of estimation uncertainty are discussed in note 3.

(d) 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)

(d) 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(m)).

(e) 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 and any impairment loss relating to the investment (see note 1(m)). 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 whereas the consolidated statement of comprehensive income includes the Group's share of the post-acquisition post-tax items of the associates' and jointly controlled entities' other comprehensive income.

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 except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. 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)

(f) Goodwill

Goodwill represents the excess of the cost of a business combination 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(m)).

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 is recognised immediately in profit or loss.

On disposal of a subsidiary during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Other investments in equity securities

Investments in equity securities other than investments in subsidiaries, associates and jointly controlled entities, are initially stated at fair value, 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(m)).
- 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 in other comprehensive income and accumulated separately in equity in the fair value reserve. Dividend income from these investments is recognised in profit or loss. When these investments are derecognised or impaired (see note 1(m)), 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.

(h) Financial instruments

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 profit or loss.

(i) Investment properties

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

1. Significant accounting policies (continued)

(i) Investment properties (continued)

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(v)*(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(l)), 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(l).

(j) Property, plant and equipment

Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 1(m)):

Properties that are being constructed or developed for future use are classified as construction in progress 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.

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 65 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 fixed assets are depreciated on a straight-line basis over their estimated useful lives of 3 to 20 years.

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

1. Significant accounting policies (continued)

(k) Intangible assets (other than goodwill)

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

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.

(l) 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 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

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease. 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(i)).

1. Significant accounting policies (continued)

(m) 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(m)*(ii)*), other receivables and 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 carried at cost are not reversed.

– For trade and other 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.

1. Significant accounting policies (continued)

(m) Impairment of assets (continued)

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

– For available-for-sale securities, the cumulative loss that has been recognised directly in reserve 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 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 other comprehensive income.

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 a provision 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 provision account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the provision account are reversed against the provision account. Other changes in the provision 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.

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 fair value less costs to sell 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 the 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).

1. Significant accounting policies (continued)

(m) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

– 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.

(n) 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)

(o) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less provision for impairment of doubtful debts (see note 1(m)), 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 provision for impairment of doubtful debts (see note 1(m)).

(p) 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.

(q) 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(u)*(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.

(r) 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.

(s) 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 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.

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).

1. Significant accounting policies (continued)

(t) 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 in other comprehensive income or directly in equity, in which case the relevant amount of tax are recognised in other comprehensive income or directly in equity respectively.

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. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference or tax losses can be utilised.

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.

1. Significant accounting policies (continued)

(u) Financial guarantees issued, provisions 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.

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.

(v) 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.

1. Significant accounting policies (continued)

(v) Revenue recognition (continued)

(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) Dividend income

Dividend income from unlisted investments is recognised when the shareholder's rights to receive payment is established.

(viii) Interest income

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

(w) Translation of foreign currencies

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 differences are recognised in profit or loss.

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 closing foreign exchange rates at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. 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.

1. Significant accounting policies (continued)

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure of the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

(y) Property held for sale

An asset is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset is available for sale in its present condition.

They are stated at the lower of carrying amount and fair value less costs to sell.

(z) 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.

(aa) Segment reporting

Operating segments are reported in a manner consistent with internal reporting provided regularly to the Group's senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations. Segment assets information is not regularly provided to the Group's senior executive management.

2. Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2009

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 2009. The Group has not adopted them in these financial statements, except amendments to HKFRS 8 (see note 1(b)*(iii)*).

The Group is in the process of making an assessment of the impact of these amendments, new standards and interpretations 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 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
Improvements to HKFRSs (2009)	Improvements to HKFRSs (including amendments to HKAS 1, 7, 18, 36 and 38)

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

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

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.

3. Accounting estimates and judgements (continued)

(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. 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.

(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. Other business 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	**2009**	2008
Sales of motor vehicles, motor parts and motor services	**15,572**	12,790
Sales of food and consumer products	**6,238**	6,428
Logistics services and other related income	**233**	194
Revenue from other business	**88**	84
Total	**22,131**	19,496

5. Segment reporting

The Group manages its businesses by divisions, which are organised by a mixture of both business lines and geographical locations. In a manner consistent with the way in which information is reported internally to the Group's senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following reportable segments:

(i) Motor and Motor Related Business (Hong Kong & Macao / Mainland China / Others)
The motor and motor related business mainly consists of the operations of (i) motor vehicle distribution and dealership business, which includes sales of motor vehicles and provision of after-sale services; and (ii) other motor vehicle related business, which includes operation of independent service outlets, original equipment parts trading, used car trading, motor leasing, environmental and engineering businesses, as well as airport and aviation support businesses. The "Others" geographical segment mainly covers business operations in Japan, Singapore and Canada.

(ii) Food and Consumer Products Business (Hong Kong & Macao / Mainland China / Others)
The food and consumer products business primarily consists of the operations of (i) trading and distribution of food commodities, distribution of fast moving consumer goods, and retail of food products under DCH Food Mart / DCH Food Mart Deluxe; (ii) distribution of electrical appliances products; and (iii) trading and distribution of other consumer products. The "Others" geographical segment mainly covers business operations in Japan, Singapore, Canada and the European market.

5. Segment reporting (continued)

(iii) Logistics Business

The logistics business includes the provision of a wide range of integrated professional logistics and supply chain management solutions and cold chain management services to customers in Hong Kong, Macao and mainland China.

(iv) Other Business

Other business includes the revenues from segments below the quantitative thresholds, which are attributable to four small operating segments. These segments include property business, advertising business, insurance business and other investments. None of these segments has exceeded the quantitative thresholds for determining a reportable segment.

The Group's senior executive management monitors the results attributable to each reportable segment on the following basis:

The segment turnover of the Group is based on business lines and geographical location of customers. Income and expenses are allocated to the reportable segments with reference to sales generated by those segments and expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. The inter-segment transactions were conducted on normal commercial terms and were priced with reference to prevailing market prices and in the ordinary course of business.

Performance is measured based on segment profit after taxation and include the Group's share of profits and losses of associates and jointly controlled entities. Items not specifically attributable to individual segments, such as corporate expenses (mainly costs of supporting functions that are centrally provided by head office to all operating segments), are not allocated to the reportable segments.

5. Segment reporting (continued)

(a) Segment results

An analysis of the Group's segment results for the year by reportable segment is as follows:

	Motor and Motor Related Business				Food and Consumer Products Business				Logistics Business	Other Business	Inter-segment elimination	Total
HK$ million Year ended 31 December 2009	Hong Kong & Macao	Mainland China	Others	Sub-total	Hong Kong & Macao	Mainland China	Others	Sub-total				
Turnover from external customers	3,186	11,677	709	15,572	3,026	2,272	940	6,238	233	88	–	22,131
Inter-segment turnover	2	–	–	2	1	1	–	2	93	37	(134)	-
Segment Turnover	3,188	11,677	709	15,574	3,027	2,273	940	6,240	326	125	(134)	22,131
Segment result from operations	227	573	7	807	133	51	(79)	105	25	58	–	995
Share of (losses) / profits of associates	–	(2)	–	(2)	–	30	–	30	–	–	–	28
Share of profits of jointly controlled entities	4	3	–	7	61	–	–	61	–	5	–	73
Segment profit / (loss) before taxation	231	574	7	812	194	81	(79)	196	25	63	–	1,096
Segment income tax	(35)	(140)	(3)	(178)	(28)	(13)	(11)	(52)	–	(4)	–	(234)
Segment profit / (loss) after taxation	196	434	4	634	166	68	(90)	144	25	59	–	862
Reconciliation:												
Net valuation loss on investment properties												(12)
Net gain on disposal of an investment property and land and buildings held for own use												78
Net loss on disposal of subsidiaries												(1)
Net gain on disposal of jointly controlled entities												5
Amortisation of fair value adjustment on property, plant and equipment and intangible assets arising from business combinations												(25)
Net fair value loss on foreign currency forward contracts												(11)
Unallocated corporate expenses												(141)
Reconciliation items before tax												(107)
Tax impact:												
- De-recognition of deferred tax assets (Note 8(a)*(iv)*)												(51)
- Tax effect on the above reconciliation items												46
Reconciliation items net of tax												(112)
Profit for the year												750

5. Segment reporting (continued)

(a) Segment results (continued)

	Motor and Motor Related Business				Food and Consumer Products Business				Logistics Business	Other Business	Inter-segment elimination	Total
HK$ million Year ended 31 December 2008	Hong Kong & Macao	Mainland China	Others	Sub-total	Hong Kong & Macao	Mainland China	Others	Sub-total				
Turnover from external customers	4,407	7,400	983	12,790	3,162	2,357	909	6,428	194	84	–	19,496
Inter-segment turnover	10	–	–	10	–	–	–	–	101	53	(164)	-
Segment Turnover	4,417	7,400	983	12,800	3,162	2,357	909	6,428	295	137	(164)	19,496
Segment result from operations	324	280	37	641	74	70	6	150	17	51	–	859
Share of profits / (losses) of associates	2	(3)	–	(1)	–	(10)	–	(10)	–	–	–	(11)
Share of profits / (losses) of jointly controlled entities	1	5	–	6	54	(1)	–	53	–	5	–	64
Segment profit before taxation	327	282	37	646	128	59	6	193	17	56	–	912
Segment income tax	(63)	(92)	(6)	(161)	(14)	(24)	(11)	(49)	(1)	6	–	(205)
Segment profit / (loss) after taxation	264	190	31	485	114	35	(5)	144	16	62	–	707
Reconciliation:												
Net valuation loss on investment properties												(3)
Net gain on disposal of jointly controlled entities												9
Amortisation of fair value adjustment on property, plant and equipment and intangible assets arising from business combinations												(11)
Net fair value loss on foreign currency forward contracts												(16)
Unallocated corporate expenses												(119)
Reconciliation items before tax												(140)
Tax impact:												
- Tax effect on the above reconciliation items												15
Reconciliation items net of tax												(125)
Profit for the year												582

5. Segment reporting (continued)

(b) Other segment information

The following table set out information about the Group's depreciation and amortisation, interest income and interest expense by reportable segments:

HK$ million Year ended 31 December 2009	Motor and Motor Related Business Hong Kong & Macao	 Mainland China	 Others	 Sub-total	Food and Consumer Products Business Hong Kong & Macao	 Mainland China	 Others	 Sub-total	Logistics Business	Other Business	Total
Segmental depreciation and amortisation	69	60	6	135	20	3	31	54	20	6	215
Segmental interest income	–	9	1	10	–	2	–	2	–	–	12
Segmental interest expense	–	62	1	63	1	15	18	34	–	–	97

HK$ million Year ended 31 December 2008	Motor and Motor Related Business Hong Kong & Macao	 Mainland China	 Others	 Sub-total	Food and Consumer Products Business Hong Kong & Macao	 Mainland China	 Others	 Sub-total	Logistics Business	Other Business	Total
Segmental depreciation and amortisation	69	41	5	115	22	7	9	38	15	1	169
Segmental interest income	3	12	1	16	1	3	1	5	1	2	24
Segmental interest expense	3	84	2	89	9	19	11	39	2	–	130

(c) Geographic information

The Group operates in three major geographical segments: Hong Kong and Macao, mainland China and others. Others mainly represents Japan, Canada and Singapore. The geographical segment of turnover from external customers is based on the geographical location of customers. The geographical segment of non-current assets is based on the geographical location of the assets. An analysis of the Group's turnover from external customers and non-current assets (excluding other financial assets and deferred tax assets) by geographical segment is as follows:

HK$ million	Turnover from external customers **2009**	 2008	Non-current assets **2009**	 2008
Hong Kong and Macao	**6,455**	7,785	**1,165**	1,115
Mainland China	**13,977**	9,770	**2,114**	2,044
Others	**1,699**	1,941	**545**	560
Total	**22,131**	19,496	**3,824**	3,719

6. Other income

HK$ million	2009	2008
Commission income, subsidy income and rebate	202	160
Interest income from:		
- bank deposits	12	25
- others	–	2
Net gain on disposal of fixed assets:		
- land and buildings held for own use	56	–
- an investment property	22	–
- others	14	–
Net exchange loss	(1)	(7)
Net fair value loss on foreign currency forward contracts	(11)	(16)
Net loss on disposal of subsidiaries	(1)	–
Net gain on changes in interests of minority shareholders	1	–
Net gain on disposal of jointly controlled entities	5	9
Net gain on disposal of certain assets and novation of certain business contracts	–	16
Net gain on disposal of unlisted investments	–	1
Net gain on acquisition of subsidiaries	–	3
Sales of accessories	27	19
Handling and service charge income	21	12
Others	58	39
Total	405	263

7. Profit before taxation

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

HK$ million	2009	2008
(a) Finance costs		
Interest on bank advances and other borrowings wholly repayable within five years	**112**	132
(b) Staff costs		
Contributions to defined contribution retirement schemes (Note)	**66**	65
Salaries, wages and other benefits	**1,338**	1,302
Total	**1,404**	1,367

Note:

The Group operates various defined contribution retirement schemes for its employees in Hong Kong, mainland China and other locations.

For the employees in Hong Kong, the Group participates in the CITIC Group Mandatory Provident Fund Scheme ("MPF Scheme"). Assets of the MPF Scheme are held separately in funds under the custody of the respective trustees. For employees who joined the Group since May 2003, the Group contributes to the MPF Scheme at 5% of the employee's monthly relevant income (up to a maximum monthly contribution of HK$1,000 for each employee by the Group) and for employees who joined the Group before May 2003, the Group contributes to the MPF Scheme at 5% or 10% of monthly basic salary, with no cap.

Retirement benefits for employees in mainland China and other locations are based primarily on local mandatory requirements.

	2009	2008
(c) Other items		
Amortisation:		
– lease prepayments	**8**	6
– intangible assets	**15**	5
Depreciation	**227**	178
Net (reversal of write-down) / write-down of inventories	**(41)**	3
Impairment losses provided under administrative expenses:		
– trade receivables	**16**	22
– other receivables	**16**	–
– amount due from a jointly controlled entity	**–**	1
– fixed assets	**6**	2
– intangible assets	**2**	1
Impairment losses provided under cost of sales:		
– fixed assets	**6**	–
Net gain on realised foreign currency forward contracts	**(9)**	(24)
Auditors' remuneration	**22**	16
Operating lease charges in respect of properties	**317**	304
Rental income from investment properties less direct outgoings of HK$15 million (2008: HK$22 million)	**(39)**	(32)

8. Income tax

Hong Kong Profits Tax is calculated at 16.5% (2008: 16.5%) 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	2009	2008
Current income tax – Hong Kong Profits Tax		
– Provision for the year	**63**	63
– Under-provision in previous years	**3**	2
	66	65
Current income tax – Outside Hong Kong		
– Provision for the year	**148**	144
– Under-provision in previous years	**1**	4
	149	148
Deferred tax		
– Origination and reversal of temporary differences	**(30)**	(20)
– De-recognition of deferred tax assets (Note (iv))	**51**	–
– Effect of change in tax rate (Note (v))	**1**	(3)
	22	(23)
Withholding tax	**2**	–
Total	**239**	190

Note:

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

(ii) Share of associates' income tax for the year ended 31 December 2009 of HK$5 million (2008: Nil) is included in the share of profits / (losses) of associates.

(iii) Share of jointly controlled entities' income tax for the year ended 31 December 2009 of HK$16 million (2008: HK$14 million) is included in the share of profits of jointly controlled entities.

(iv) The Group had deferred tax assets of HK$51 million arising from prior years' tax losses of a subsidiary yet to be agreed by the relevant tax authorities. Based on the latest available information, the directors are of the opinion that the utilisation of these tax losses may not be probable. Accordingly, such deferred tax assets were derecognised during the year ended 31 December 2009.

(v) In 2009, the Singapore Government enacted a change in the corporate tax rate from 18% to 17% with effect from the year of assessment 2010. In 2008, the Government of the Hong Kong Special Administrative Region enacted a change in the profits tax rate from 17.5% to 16.5% for the fiscal year 2007 / 2008.

8. Income tax (continued)

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

HK$ million	2009	2008
Profit before taxation	**989**	772
Tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**171**	144
Effect of change in tax rate	**1**	(3)
Tax effect of non-deductible expenses	**43**	40
Tax effect of non-taxable income	**(60)**	(21)
Tax effect of utilisation of previously unrecognised tax losses	**(7)**	(3)
Tax effect of unused tax losses not recognised	**37**	22
Tax effect of unrecognised deductible temporary differences	**(4)**	5
Recognition of deferred tax liabilities of undistributed profits (Note 30(a)*(i)*)	**1**	–
Withholding tax	**2**	–
De-recognition of deferred tax assets in respect of prior years' tax losses	**51**	–
Under-provision in previous years	**4**	6
Income tax expense	**239**	190

9. Directors' remuneration

Directors' remuneration for the year ended 31 December 2009 is set out below:

HK$ thousand	Directors' fees	Salaries, allowances and other benefits	Discretionary bonuses	Contributions to defined contribution retirement schemes	Total
Executive directors					
Hui Ying Bun	120	2,014	5,918	178	8,230
Chu Hon Fai	120	1,718	3,390	156	5,384
Yip Moon Tong	120	1,620	4,606	150	6,496
Mak Kwing Tim	120	1,584	4,400	144	6,248
Lau Sei Keung	120	1,491	3,012	138	4,761
Tsoi Tai Kwan, Arthur	120	1,529	2,279	138	4,066
Glenn Robert Sturrock Smith	120	2,354	1,603	69	4,146
Non-executive directors					
Ho Hau Hay, Hamilton	120	–	–	–	120
Chan Chui Sheung, Stella	120	–	–	–	120
Kwok Man Leung	120	25	–	–	145
Independent non-executive directors					
Cheung Kin Piu, Valiant	120	120	–	–	240
Hsu Hsung, Adolf	120	120	–	–	240
Yeung Yue Man	120	120	–	–	240
Total	1,560	12,695	25,208	973	40,436

9. Directors' remuneration (continued)

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

Notes:
(i) Resigned on 16 July 2008
(ii) Resigned on 20 October 2008

10. Individuals with highest emoluments

The five highest paid individuals of the Group for the years ended 31 December 2008 and 2009 are also the directors of the Company, whose emoluments are disclosed in note 9.

11. Profit attributable to shareholders of the Company

The consolidated profit attributable to shareholders of the Company includes a profit of HK$275 million (2008: HK$489 million) which has been dealt with in the financial statements of the Company. The Company's profit for the year ended 31 December 2008 included a dividend income of HK$116 million which are paid out from the subsidiaries' prior years' profit.

12. Dividends

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

HK$ million	**2009**	2008
Interim dividend declared and paid of 4.51 HK cents (2008: 6.43 HK cents) per share	**81**	116
Final dividend proposed after the balance sheet date of 11.29 HK cents (2008: 2.95 HK cents) per share	**203**	53
Total	**284**	169

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

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

HK$ million	**2009**	2008
Final dividend approved and paid of 2.95 HK cents (2008: 2.13 HK cents) per share	**53**	38

13. Basic and diluted earnings per share

(a) Basic earnings per share

The basic earnings per share is based on the profit attributable to shareholders of the Company of HK$710 million (2008: HK$563 million) and the weighted average of 1,797,833,000 ordinary shares (2008: 1,798,610,109 ordinary shares) in issue during the year which is calculated as follows:

	Number of ordinary shares	
	2009	2008
Issued ordinary shares at 1 January	**1,797,833,000**	1,800,000,000
Effect of shares repurchased	**–**	(1,389,891)
Weighted average number of ordinary shares	**1,797,833,000**	1,798,610,109

(b) Diluted earnings per share

The diluted earnings per share for the years ended 31 December 2008 and 2009 are not presented as the potential ordinary shares in respect of outstanding share options are anti-dilutive.

14. Fixed assets

(a) Group

HK$ million	Land and buildings held for own use	Construction in progress	Others	Sub-total	Investment properties	Total
Note			14(c)			
Cost or valuation:						
At 1 January 2009	1,123	108	1,571	2,802	910	3,712
Exchange adjustments	8	–	6	14	(5)	9
Additions	18	117	238	373	–	373
Acquisition of subsidiaries (Note 32(v))	10	–	5	15	–	15
Transfers	53	(102)	49	–	–	–
Disposals	(16)	–	(264)	(280)	(85)	(365)
Fair value adjustment	–	–	–	–	(12)	(12)
At 31 December 2009	1,196	123	1,605	2,924	808	3,732
Representing:						
Cost	1,196	123	1,605	2,924	–	2,924
Valuation	–	–	–	–	808	808
At 31 December 2009	1,196	123	1,605	2,924	808	3,732
Accumulated depreciation and impairment:						
At 1 January 2009	216	–	952	1,168	–	1,168
Exchange adjustments	2	–	3	5	–	5
Charge for the year	51	–	176	227	–	227
Impairment loss	6	–	6	12	–	12
Acquisition of subsidiaries (Note 32(v))	2	–	2	4	–	4
Written back on disposals	(4)	–	(189)	(193)	–	(193)
At 31 December 2009	273	–	950	1,223	–	1,223
Net book value:						
At 31 December 2009	923	123	655	1,701	808	2,509

14. 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			14(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	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	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

14. Fixed assets (continued)

(b) Company

HK$ million	Investment properties 2009	2008
At valuation:		
At 1 January	**166**	167
Additions	**2**	–
Transfer to property held for sale (Note 22)	**(53)**	–
Fair value adjustment	**3**	(1)
At 31 December	**118**	166

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

(d) Properties valuations

All investment properties of the Group and the Company were revalued as at 31 December 2009 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	Kikuchi Certified Real Estate Appraiser Office

14. Fixed assets (continued)

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

HK$ million	Group 2009	Group 2008	Company 2009	Company 2008
Investment properties				
In Hong Kong:				
– Long term lease	**349**	399	**–**	51
– Medium term lease	**–**	–	**118**	115
Outside Hong Kong:				
– Freehold properties	**419**	471	**–**	–
– Medium term lease	**40**	40	**–**	–
At 31 December	**808**	910	**118**	166
Land and buildings held for own use				
In Hong Kong:				
– Long term lease	**5**	5	**–**	–
– Medium term lease	**97**	98	**–**	–
– Short term lease	**12**	16	**–**	–
Outside Hong Kong:				
– Freehold properties	**51**	49	**–**	–
– Medium term lease	**682**	713	**–**	–
– Short term lease	**76**	26	**–**	–
At 31 December	**923**	907	**–**	–

(f) Certain buildings situated in mainland China with an aggregate net book value of HK$172 million as at 31 December 2009 (2008: HK$346 million) 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 various investment properties and other properties, plant and equipment under operating leases. The leases are renewable at the end of the lease period when all the terms are renegotiated. None of these leases includes contingent rentals. The Group's total future minimum lease income under non-cancellable operating leases are receivable as follows:

HK$ million	Group 2009	Group 2008
Within 1 year	**66**	66
After 1 year but within 5 years	**42**	55
After 5 years	**1**	3
At 31 December	**109**	124

15. Lease prepayments

HK$ million	Group 2009	2008
Cost:		
At 1 January	**288**	169
Exchange adjustments	**2**	9
Additions	**108**	14
Acquisition of subsidiaries (Note 32(v))	**5**	96
At 31 December	**403**	288
Accumulated amortisation:		
At 1 January	**18**	9
Charge for the year	**8**	6
Acquisition of subsidiaries	**–**	3
At 31 December	**26**	18
Net book value:		
At 31 December	**377**	270

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

HK$ million	Group 2009	2008
In Hong Kong:		
– Medium term lease	**62**	–
Outside Hong Kong:		
– Medium term lease	**295**	270
– Short term lease	**20**	–
	315	270
At 31 December	**377**	270

The lease prepayments of the Group represent cost of the land use rights.

At 31 December 2008, a parcel of land of the Group with an aggregate net book value of HK$22 million was in the process of applying for land use rights from relevant authorities. The land use rights was obtained during the year.

16. Intangible assets

Group

HK$ million	Car Dealerships	Others	Total
Cost:			
At 1 January 2009	**239**	**15**	**254**
Exchange adjustments	**1**	**–**	**1**
Additions through business combination (Note 32(v))	**25**	**13**	**38**
At 31 December 2009	**265**	**28**	**293**
Accumulated amortisation and impairment:			
At 1 January 2009	**13**	**–**	**13**
Charge for the year	**12**	**3**	**15**
Impairment loss	**2**	**–**	**2**
At 31 December 2009	**27**	**3**	**30**
Net book value:			
At 31 December 2009	**238**	**25**	**263**

HK$ million	Car Dealerships	Others	Total
Cost:			
At 1 January 2008	49	–	49
Exchange adjustments	1	–	1
Additions through business combination	189	15	204
At 31 December 2008	239	15	254
Accumulated amortisation and impairment:			
At 1 January 2008	7	–	7
Charge for the year	5	–	5
Impairment loss	1	–	1
At 31 December 2008	13	–	13
Net book value:			
At 31 December 2008	226	15	241

The amortisation charge for the year is included in "administrative expenses" in the consolidated income statement.

17. Goodwill

HK$ million	Group 2009	2008
Cost and carrying amount:		
At 1 January	**282**	169
Acquisition of subsidiaries (Note 32(v))	**5**	113
At 31 December	**287**	282

Impairment tests for goodwill

The carrying amount of goodwill is allocated to the Group's cash-generating units ("CGU") identified as follows:

HK$ million	2009	2008
Motor and Motor Related Business — Mainland China	**86**	81
Food and Consumer Products Business — Hong Kong	**170**	170
— Mainland China	**31**	31
	287	282

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. Cash flows beyond the five-year period are extrapolated using a zero growth rate, which was used solely for the purposes of the impairment test to arrive at a conservative projection of cash flow in excess of five years and does not reflect management's expectation of these business performances. The growth rates do not exceed the long-term average growth rates for the business in which the CGU operates. The cash flows are discounted using pre-tax discount rates ranging from 15.9% to 19.3% (2008: 16.3% to 16.7%).

Key assumptions used for the value-in-use calculation are the gross margin and growth rate. Management determined the budgeted gross margin and growth rates based on past performance and its expectation for market development.

18. Investment in subsidiaries

HK$ million	Company 2009	2008
Unlisted shares, at cost	**19**	19

Details of the Company's principal subsidiaries are set out in note 40.

19. Interest in associates

	Group	
HK$ million	**2009**	2008
Share of net assets	**130**	148

(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
上海雙滙大昌有限公司 (Shanghai Shineway DCH Co., Ltd.) (Note)	The People's Republic of China	RMB194,750,000	26.04	26.04	Production and sales of meat and related food products

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

(b) Summary of financial information on associates

HK$ million	**2009**	2008
Assets	**722**	1,129
Liabilities	**(238)**	(701)
Turnover	**1,045**	1,394
Profit after taxation	**81**	42

20. Interest in jointly controlled entities

HK$ million	Group 2009	Group 2008
Share of net assets	**258**	234

(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	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 (DAS Nordisk Eastern Aviation Equipment 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 and the English translation is for reference only.

20. Interest in jointly controlled entities (continued)

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

HK$ million	2009	2008
Non-current assets	**170**	138
Current assets	**380**	333
Non-current liabilities	**–**	(3)
Current liabilities	**(292)**	(234)
Net assets	**258**	234
Income	**781**	706
Expenses	**(692)**	(628)
Profit before taxation	**89**	78
Income tax	**(16)**	(14)
Profit after taxation	**73**	64

21. Other financial assets

	Group	
HK$ million	2009	2008
Available-for-sale equity securities		
– Unlisted at 31 December	**5**	5

Unlisted equity securities as at 31 December 2008 and 2009 are carried at cost. Management considers that the fair value of these securities cannot be measured reliably as quoted prices are not available.

22. Property held for sale

Following the Company's plan to dispose a property situated in Hong Kong, such property is classified as property held for sale as at 31 December 2009 at fair value of HK$53 million.

23. Inventories

(a) Inventories in the consolidated balance sheet represent:

	Group	
HK$ million	**2009**	2008
Finished goods	**2,526**	2,555
Raw materials	**42**	92
Work-in-progress	**53**	44
At 31 December	**2,621**	2,691

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

	Group	
HK$ million	**2009**	2008
Carrying amount of inventories sold	**18,195**	16,133
Write-down of inventories	**20**	28
Reversal of write-down of inventories	**(61)**	(25)
Total	**18,154**	16,136

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 change in market condition.

24. Trade and other receivables

HK$ million	Group 2009	Group 2008	Company 2009	Company 2008
Trade debtors and bills receivable	**1,489**	1,509	**–**	–
Less: Provision for impairment loss for doubtful debts	**(61)**	(45)	**–**	–
	1,428	1,464	**–**	–
Other receivables, deposits and prepayments	**1,436**	1,373	**1**	1
Amounts due from subsidiaries (Note 24(f))	**–**	–	**3,252**	2,523
Amounts due from fellow subsidiaries (Note 24(d))	**1**	1	**–**	–
Amounts due from associates (Note 24(d))	**27**	27	**–**	–
Amounts due from jointly controlled entities (Note 24(e))	**181**	181	**–**	–
Financial instruments	**2**	1	**–**	–
At 31 December	**3,075**	3,047	**3,253**	2,524

The amount of the Group's trade and other receivables expected to be recovered after more than one year is HK$52 million (2008: HK$46 million). The remaining balances of trade and other receivables 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 provision for impairment loss for doubtful debts) is as follows:

HK$ million	Group 2009	Group 2008
Within 3 months	**1,357**	1,323
More than 3 months but within 1 year	**61**	106
Over 1 year	**10**	35
At 31 December	**1,428**	1,464

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	**2009**	2008
At 1 January	**45**	23
Exchange adjustments	**–**	3
Uncollectible amounts written off	**–**	(3)
Impairment loss provided	**16**	22
At 31 December	**61**	45

At 31 December 2009, the Group's trade debtors and bills receivable of HK$9 million (2008: HK$7 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$8 million (2008: HK$7 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$95 million as at 31 December 2009 (2008: HK$165 million) 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	**2009**	2008
Overdue for 1 to 3 months	**79**	130
Overdue for more than 3 months but within 1 year	**15**	28
Overdue over 1 year	**1**	7
At 31 December	**95**	165

(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 million which is interest bearing at 1 week HIBOR per annum for the year ended 31 December 2008. Such balance has been settled in 2009.

(f) The amounts due from subsidiaries of the Company are unsecured, interest-free and recoverable on demand, except for an amount of HK$2,089 million (2008: HK$1,141 million) which is interest bearing at 1 week HIBOR per annum for the years ended 31 December 2008 and 2009.

25. Cash and cash equivalents

	Group		Company	
HK$ million	**2009**	2008	**2009**	2008
Cash and bank deposits	**1,895**	1,643	**179**	400
Less:				
Pledged deposits (Note 26(d))	**(239)**	(173)	**–**	–
Bank overdrafts (Note 26(b))	**(9)**	(6)	**–**	–
Cash and cash equivalents	**1,647**	1,464	**179**	400

Included in cash and cash equivalents of the Group totalling HK$898 million (2008: HK$664 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

	Group		Company	
HK$ million	**2009**	2008	**2009**	2008
Bank loans and overdrafts (Note 26(a) and 26(b))	**2,380**	2,804	**700**	550
Other loans (Note 26(c))	**56**	105	**–**	–
At 31 December	**2,436**	2,909	**700**	550

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

	Group		Company	
HK$ million	**2009**	2008	**2009**	2008
Within 1 year or on demand	**1,985**	2,284	**475**	30
After 1 year but within 2 years	**170**	520	**–**	520
After 2 years but within 5 years	**225**	–	**225**	–
	395	520	**225**	520
At 31 December	**2,380**	2,804	**700**	550

26. Borrowings (continued)

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

	Group		Company	
HK$ million	**2009**	2008	**2009**	2008
Bank overdrafts (Note 25)				
– unsecured	**9**	6	**–**	–
	9	6	**–**	–
Bank loans				
– secured	**219**	370	**–**	–
– unsecured	**2,152**	2,428	**700**	550
	2,371	2,798	**700**	550
At 31 December	**2,380**	2,804	**700**	550

(c) Other loans

Other loans are secured by inventories 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	**2009**	2008
Bank deposits (Note 25)	**239**	173
Trade and other receivables	**25**	78
Inventories	**170**	175
Property, plant and equipment	**365**	397
At 31 December	**799**	823

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 2008 and 2009, none of the covenants relating to drawn down facilities had been breached (refer to note 31(k)).

27. Trade and other payables

HK$ million	Group 2009	Group 2008	Company 2009	Company 2008
Trade creditors and bills payable	**1,460**	1,254	**—**	—
Other payables and accrued charges	**1,320**	1,321	**15**	13
Provision for warranties (Note 28)	**113**	125	**—**	—
Amount due to intermediate holding company (Note 27(b))	**—**	7	**—**	7
Amounts due to subsidiaries (Note 27(d))	**—**	—	**356**	129
Amounts due to associates (Note 27(c))	**—**	8	**—**	—
Amounts due to jointly controlled entities (Note 27(c))	**9**	23	**—**	—
Amounts due to minority shareholders	**83**	83	**—**	—
Financial instruments	**17**	5	**—**	—
At 31 December	**3,002**	2,826	**371**	149

Apart from certain trade and other payables of HK$57 million (2008: HK$69 million) of the Group as at 31 December 2009, 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 2009	Group 2008
Current or within 1 month	**1,392**	1,048
More than 1 but within 3 months	**49**	170
More than 3 but within 6 months	**5**	18
Over 6 months	**14**	18
At 31 December	**1,460**	1,254

(b) The amount due to intermediate holding company of the Group and the Company is 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.

(d) The amounts due to subsidiaries of the Company are unsecured, non-interest bearing and repayable on demand, except for an amount of HK$34 million (2008: HK$37 million) which is interest bearing at 1 month HIBOR per annum for the years ended 31 December 2008 and 2009.

28. Provision for warranties

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

	Group	
HK$ million	**2009**	2008
At 1 January	**125**	105
Exchange adjustments	**1**	–
Additional provisions made	**31**	75
Provisions utilised	**(44)**	(55)
At 31 December	**113**	125

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. Equity compensation benefits

(a) CITIC Pacific Share Incentive Plan 2000

CITIC Pacific Limited ("CITIC Pacific"), the intermediate holding company of the Company, adopted the CITIC Pacific Share Incentive Plan 2000 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 share options over CITIC Pacific's shares.

No employment benefit cost or obligation is recognised in the consolidated financial statements in respect of the above-mentioned share options for the years ended 31 December 2008 and 2009.

(b) Share Option Plans of the Company – 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 under the Scheme on 3 October 2007, fully vested on the date of grant. 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. Share options comprising a total of 500,000 (2008: 600,000) shares of the Company were lapsed during the year. The total outstanding and exercisable share options as at 31 December 2009 was 16,900,000 (2008: 17,400,000) shares. The remaining contractual life of the share options is 2.76 years (2008: 3.76 years).

30. 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 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	–	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
At 1 January 2009	**57**	**49**	**166**	**(41)**	**(103)**	**14**	**–**	**142**
Exchange adjustments	**–**	**–**	**(2)**	**–**	**–**	**2**	**–**	**–**
Effect of change in tax rate (Note 8(a))	**–**	**–**	**–**	**1**	**–**	**–**	**–**	**1**
Charged / (credited) to the consolidated income statement (Note 8(a))	**3**	**(2)**	**(25)**	**5**	**39**	**1**	**–**	**21**
At 31 December 2009	**60**	**47**	**139**	**(35)**	**(64)**	**17**	**–**	**164**

Represented by:

HK$ million	2009	2008
Deferred tax assets	**(40)**	(58)
Deferred tax liabilities	**204**	200
At 31 December	**164**	142

30. 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 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
At 1 January 2009	**1**	**14**	**–**	**15**
(Credited) / charged to income statement	**(1)**	**1**	**–**	**–**
At 31 December 2009	**–**	**15**	**–**	**15**

(b) Deferred tax assets not recognised

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

HK$ million	2009	2008
Deductible temporary differences	**9**	17
Tax losses	**426**	352
At 31 December	**435**	369

At 31 December 2009, tax losses in certain tax jurisdictions of HK$254 million (2008: HK$167 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 2009, temporary differences relating to the undistributed profits of subsidiaries amounted to HK$1,387 million (2008: HK$1,071 million). Deferred tax liabilities of HK$185 million (2008: HK$175 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 these retained profits will not be distributed in the foreseeable future.

31. Capital and reserves

(a) Share capital

	2009		2008	
	Number of shares (in million)	**HK$ million**	Number of shares (in million)	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	**1,798**	**270**	1,800	270
Repurchase of own shares (Note)	**–**	**–**	(2)	–
At 31 December	**1,798**	**270**	1,798	270

Note:

During the year ended 31 December 2009, the Company had not repurchased its own shares on the Stock Exchange. During the year ended 31 December 2008, the Company repurchased a total of 2,167,000 of its own shares on the Stock Exchange, all of which have been cancelled.

(b) Share premium

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

(c) General reserve

(i) 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.

(ii) When a business combination is achieved in stages, the fair value adjustment relating to previously held interest of the Group at the acquisition date is included in general reserve.

(d) Capital reserve

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

31. Capital and reserves (continued)

(e) 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.

(f) 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.

(g) 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.

(h) 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.

(i) 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.

(j) Distributable reserves

Excluding the undistributable reserve of HK$87 million (2008: HK$83 million) which represents accumulated valuation gain on investment properties included in the Company's retained profits, distributable reserves of the Company as at 31 December 2009 amounted to HK$1,178 million (2008: HK$1,040 million).

(k) Capital management

The Group's primary objectives are to safeguard its 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.

31. Capital and reserves (continued)

(k) Capital management (continued)

During 2009, the Group's strategy, which was consistent with 2008, was to maintain the gearing ratio below 40%.

The gearing ratios at 31 December 2008 and 2009 were as follows:

		Group	
HK$ million	Note	**2009**	2008
Total borrowings	26	**2,436**	2,909
Less: cash and bank deposits	25	**(1,895)**	(1,643)
Net debt		**541**	1,266
Shareholders' funds		**5,457**	4,865
Total capital		**5,998**	6,131
Gearing ratio		**9.0%**	20.6%

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 and 2009, the Group had complied with all of the above financial covenants.

32. Business combination

(i) The Group has acquired the business of 上海三昶商務發展有限公司 (Goodwell China Co., Ltd) ("Goodwell"), which is engaged in food trading business in mainland China. The Group has effective control over the business through its non-wholly owned subsidiary from January 2009 onwards.

(ii) In August 2009, the Group extended its equity interest from 70% to 100% 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) ("Longde") which is engaged in sales of vehicle and spare parts in mainland China.

(iii) In May 2009, the Group extended its equity interest in a subsidiary, 江門市合禮汽車銷售服務有限公司 (Jiangmen Heli Motors Sale and Service Ltd) ("Jiangmen Heli"), from 85% to 90% for a cash consideration of RMB1 million. Jiangmen Heli is engaged in sales of vehicle and spare parts in mainland China. The acquisition resulted in a release of minority interest of HK$0.8 million at the acquisition date.

32. Business combination (continued)

(iv) The turnover and profit after taxation of Longde and Goodwell for the period from their respective dates of acquisition to 31 December 2009 were as follows:

HK$ million	Motor and Motor Related Business	Food and Consumer Products Business	Total
Turnover	112	157	269
Profit after taxation	1	10	11

The turnover and (loss) / profit after taxation of Longde and Goodwell as though the acquisitions had been completed at the beginning of 2009 were as follows:

HK$ million	Motor and Motor Related Business	Food and Consumer Products Business	Total
Turnover	242	157	399
(Loss) / profit after taxation	(1)	10	9

These amounts have been calculated using the Group's accounting policies and by adjusting the results of the relevant subsidiaries to reflect the additional amortisation that would have been charged assuming the fair value adjustments to intangible assets had applied from 1 January 2009, together with the consequential tax effects.

32. Business combination (continued)

(v) The acquisitions of Longde and Goodwell had the following effect on the Group's assets and liabilities on the acquisition date:

HK$ million	Motor and Motor Related Business	Food and Consumer Products Business	Total
Fixed assets (Note 14(a))	11	–	11
Lease prepayments (Note 15)	5	–	5
Inventories	29	7	36
Trade and other receivables	14	–	14
Cash and bank deposits	3	–	3
Trade and other payables	(40)	–	(40)
Net assets acquired	22	7	29
Intangible assets (Note 16)	25	13	38
Less: Interest in associates	(33)	–	(33)
Fair value of net assets acquired	14	20	34
Goodwill (Note 17)	5	–	5
Consideration	19	20	39
Consideration payable	–	(4)	(4)
Consideration paid, satisfied in cash	19	16	35
Less: Cash acquired	(3)	–	(3)
Net cash outflow	**16**	**16**	**32**

(vi) The goodwill recognised on the acquisitions is attributable mainly to the benefit of 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.

33. Financial risk management and fair values

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 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.

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 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 into account of any collateral held is represented by the carrying amount of each financial asset, including financial instruments, in the balance sheets. Except for the financial guarantees given by the Group as set out in note 35, 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 operating entities in Hong Kong are centralised at head office level to facilitate control and efficiency.

Due to market limitations and regulatory constraints, operating entities outside Hong Kong are responsible for their own cash management and risk management which are monitored by head office. Financing activities for operating entities outside Hong Kong are reviewed and approved by head office before execution.

Head office would 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 long term.

33. Financial risk management and fair values (continued)

(b) Liquidity risk (continued)

The table below analyses the Group's and the Company's 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 (including interest payments computed based on contractual rates or, if floating, based on current rates ruling at the balance sheet date):

Group

HK$ million	2009 Total	2009 Within 1 year or on demand	2009 More than 1 year but within 2 years	2009 More than 2 years but within 5 years	2008 Total	2008 Within 1 year or on demand	2008 More than 1 year but within 2 years	2008 More than 2 years but within 5 years
Borrowings	(2,485)	(2,081)	(177)	(227)	(2,944)	(2,413)	(531)	–
Trade and other payables	(3,002)	(3,002)	–	–	(2,826)	(2,826)	–	–
	(5,487)	(5,083)	(177)	(227)	(5,770)	(5,239)	(531)	–

HK$ million	2009 Total	2009 Within 1 year or on demand	2009 More than 1 year but within 2 years	2009 More than 2 years but within 5 years	2008 Total	2008 Within 1 year or on demand	2008 More than 1 year but within 2 years	2008 More than 2 years but within 5 years
Derivatives settled gross:								
Foreign currency forward contracts:								
– outflow	(1,120)	(1,120)	–	–	(227)	(227)	–	–
– inflow	1,101	1,101	–	–	226	226	–	–
	(19)	(19)	–	–	(1)	(1)	–	–

Company

HK$ million	2009 Total	2009 Within 1 year or on demand	2009 More than 1 year but within 2 years	2009 More than 2 years but within 5 years	2008 Total	2008 Within 1 year or on demand	2008 More than 1 year but within 2 years	2008 More than 2 years but within 5 years
Borrowings	(713)	(484)	(2)	(227)	(576)	(45)	(531)	–
Trade and other payables	(371)	(371)	–	–	(149)	(149)	–	–
	(1,084)	(855)	(2)	(227)	(725)	(194)	(531)	–

HK$ million	2009 Total	2009 Within 1 year or on demand	2009 More than 1 year but within 2 years	2009 More than 2 years but within 5 years	2008 Total	2008 Within 1 year or on demand	2008 More than 1 year but within 2 years	2008 More than 2 years but within 5 years
Financial guarantees issued:								
Maximum amount guaranteed (Note 35)	(2,186)	(1,968)	(178)	(40)	(1,187)	(1,157)	(15)	(15)

33. Financial risk management and fair values (continued)

(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 2009, the Group and the Company had outstanding interest rate swaps with a notional contract amount of HK$300 million (2008: HK$300 million) to fix the interest rate of the unsecured bank borrowings of HK$700 million (2008: HK$550 million) so as to reduce the impact of interest rate fluctuation. The swaps mature over the next year and have fixed swap rates ranging from 3.84% to 4.11% per annum (2008: 3.84% to 4.11% per annum).

Sensitivity analysis

As at 31 December 2009, 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 taxation and retained profits by approximately HK$5 million (2008: HK$6 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 2008.

(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 currencies 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 foreign currency forward contracts have maturities of less than one year after the balance sheet date. As at 31 December 2009, the Group had foreign currency forward contracts hedging forecast transactions with a fair value of HK$15 million liabilities (2008: HK$4 million liabilities) recognised as financial instruments.

33. Financial risk management and fair values (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

	2009					
in million	**United States dollars**	**Renminbi**	**Euros**	**Japanese Yen**	**Pound Sterling**	**Hong Kong dollars**
Trade and other receivables	**15**	**10**	**3**	**1,424**	**1**	**–**
Cash and bank deposits	**20**	**–**	**3**	**685**	**–**	**20**
Trade and other payables	**(9)**	**(4)**	**(8)**	**(644)**	**(1)**	**–**
Net exposure arising from recognised assets and liabilities	**26**	**6**	**(2)**	**1,465**	**–**	**20**
Highly probable forecast purchases	**(8)**	**–**	**(4)**	**(2,196)**	**(90)**	**–**
Notional amounts of foreign currency forward contracts	**4**	**–**	**4**	**1,900**	**69**	**–**
Net exposure arising from forecast transactions	**(4)**	**–**	**–**	**(296)**	**(21)**	**–**
Overall net exposure	**22**	**6**	**(2)**	**1,169**	**(21)**	**20**

	2008					
in million	United States dollars	Renminbi	Euros	Japanese Yen	Pound Sterling	Hong Kong dollars
Trade and other receivables	21	14	1	974	3	–
Cash and bank deposits	9	–	1	538	–	18
Borrowings	(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 currency 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

33. Financial risk management and fair values (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	2009		2008	
HK$ million	Increase in foreign exchange rates	Positive / (negative) effect on profit after taxation and retained profits	Increase in foreign exchange rates	Positive / (negative) effect on profit after taxation and retained profits
Renminbi	5%	–	5%	1
Euros	5%	(1)	5%	1
Japanese Yen	5%	5	5%	5
Pound Sterling	5%	(13)	5%	(3)

The sensitivity analysis above 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 the 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 dollar 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 2008.

33. Financial risk management and fair values (continued)

(e) Fair value

(i) Fair value estimation

The following summarises the major methods used in estimating the fair values of financial instruments.

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2008 and 2009 except for the amounts due from / to subsidiaries, fellow subsidiaries, intermediate 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 currency 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.

(ii) Financial instruments carried at fair value

The fair value of each financial instrument is categorised across three levels of the "fair value hierarchy" defined in HKFRS 7, with the fair value categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.

- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.

- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

At 31 December 2009, the net fair values of outstanding foreign currency forward contracts of the Group were HK$15 million liabilities. These instruments fall into Level 2 of the fair value hierarchy described above.

34. Commitments

(a) Capital commitments

Capital commitments outstanding at the balance sheet date not provided for in the financial statements were as follows:

	Group	
HK$ million	**2009**	2008
Contracted for		
- Capital expenditure	**100**	50
- Investment in an associate	**41**	51
- Investment in a jointly controlled entity	**41**	–
- Others	**8**	–
At 31 December	**190**	101
Authorised but not contracted for		
- Capital expenditure	**246**	249
- Others	**12**	14
At 31 December	**258**	263

(b) Operating lease commitments

The Group is the lessee in respect of various properties, plant and equipment held under operating leases. At 31 December 2009, the Group had total future minimum lease payments under non-cancellable operating leases payable as follows:

	Group	
HK$ million	**2009**	2008
Within 1 year	**250**	150
After 1 year but within 5 years	**415**	252
After 5 years	**269**	181
At 31 December	**934**	583

The leases are renewable at the end of the lease period when all the terms are renegotiated.

35. Contingent liabilities

At 31 December 2009, the Company has issued the following guarantees to banks in respect of banking facilities granted to and utilised by the following parties:

Company

HK$ million	**2009** Granted	**2009** Utilised	2008 Granted	2008 Utilised
Subsidiaries	**5,010**	**2,186**	3,169	1,187

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.

36. Material related party transactions

During the year, the Group had the following material related party transactions:

HK$ million	Note	**2009**	2008
(a) Recurring transactions			
Transactions with associates			
Sales	(ii)	**9**	199
Purchases	(ii)	**9**	62
Transactions with jointly controlled entities			
Sales	(ii)	**43**	38
Transactions with fellow subsidiaries			
Rental expenses	(ii)	**91**	93
Transactions with affiliates			
Service income	(ii), (iv)	**42**	61
Sales	(ii), (iv)	**17**	15
(b) Non-recurring transactions			
Transaction with an associate			
Consideration paid for acquisition of a subsidiary and a debt	(iii)	**–**	142

36. Material related party transactions (continued)

(c) As at 31 December 2009, the Group had bank balance and bills payable with a fellow subsidiary of HK$47 million (2008: HK$167 million) and HK$59 million (2008: HK$183 million) respectively. The terms and conditions of deposits and borrowings were set out in the respective agreements or as mutually agreed with the concerned financial institution at commercial terms similar to those with independent third parties.

(d) **Transactions with state-owned enterprises**

On 24 December 2008, CITIC Group, a state-owned enterprise incorporated in the People's Republic of China, became the ultimate holding company of the Group. Other than those transactions as disclosed above, the Group has certain transactions with other state-owned enterprises including 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-owned. 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.

Having considered the potential transactions to be impacted by related party relationships, the entity's pricing strategy, purchasing and approval processes, and the relevant information that would be necessary for an understanding of the potential effect of the relationship on the financial statements, there are no transactions with other 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 廣東偉德利電器製造有限公司 (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) Affiliates represent associates and jointly controlled entities of the intermediate and ultimate holding companies.

37. Ultimate holding company

At 31 December 2009, the directors consider the ultimate holding company of the Group to be CITIC Group (a state-owned enterprise incorporated in the People's Republic of China).

38. Post balance sheet events

(a) The following acquisitions are entered into before the balance sheet date and are expected to be completed subsequent to the balance sheet date:

(i) In December 2009, the Group entered into an agreement to extend its equity interest from 60% to 71% in 上海山隆實業有限公司 (Shanghai Sunny Life Enterprise) ("Sunny Life") at a consideration of RMB7 million. Sunny Life is engaged in food trading business in mainland China.

(ii) In December 2009, the Group entered into an agreement to acquire a 50% interest in 深圳市深業實業有限公司 (Shenzhen Shenye Shiye Limited) ("Shenye") at a consideration of RMB127 million. Shenye is engaged in sales of motor vehicle and spare parts, to provide after sales services and to conduct customer survey for the manufacturers and suppliers.

(b) The following acquisition is entered into after the balance sheet date:

In February 2010, the Group entered into an agreement to acquire the remaining 40% interest in Regal Heights Limited, which currently holds 76.77% equity interest in 上海大昌江南鳳有限公司 (Shanghai DCH Jiangnanfeng Co., Ltd.) ("JNF"). The consideration is approximately HK$12 million. The Group intends to develop the business of JNF into an upstream fast moving consumer goods / food processing base in mainland China through this acquisition.

39. Comparative figures

As a result of the adoption of HKAS 1 (Revised) "Presentation of Financial Statements" and HKFRS 8 "Operating Segments", certain comparative figures have been adjusted to conform to the current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these changes are disclosed in note 1. In addition, certain comparative figures have been reclassified to conform to the current year's presentation.

40. 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 interest held by the Company %	Proportion of equity interest 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 JPY 1,000 each and issued share capital of JPY480 million at JPY1,000 each	–	100	Import and export of foodstuffs, motor vehicles and garments, 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 spare 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, import, retail and export of foodstuffs, electrical appliances and other products

40. Details of principal subsidiaries (continued)

Name of subsidiaries	Note	Place of incorporation / establishment / operation	Authorised / registered / paid-in / issued capital	Proportion of equity interest held by the Company %	Proportion of equity interest held by a subsidiary %	Principal activities
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
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 distributor

40. Details of principal subsidiaries (continued)

Name of subsidiaries	Note	Place of incorporation / establishment / operation	Authorised / registered / paid-in / issued capital	Proportion of equity interest held by the Company %	Proportion of equity interest held by a subsidiary %	Principal activities
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 4S dealership
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 distributor
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 distributor
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 distributor
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 distributor
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 distributor

40. Details of principal subsidiaries (continued)

Name of subsidiaries	Note	Place of incorporation / establishment / operation	Authorised / registered / paid-in / issued capital	Proportion of equity interest held by the Company %	Proportion of equity interest held by a subsidiary %	Principal activities
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	Wholesaling and distribution of fast moving consumer goods
Triangle Auto Pte Ltd		Republic of Singapore	Authorised and issued share capital of SGD3,000,000 at SGD1 each	–	100	Motor vehicle distributor
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 distributor
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
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), (vii)	The People's Republic of China	Registered capital and paid-in capital of US$10,600,000	–	100	Provision of food products and logistics services

40. Details of principal subsidiaries (continued)

Name of subsidiaries	Note	Place of incorporation / establishment / operation	Authorised / registered / paid-in / issued capital	Proportion of equity interest held by the Company %	Proportion of equity interest held by a subsidiary %	Principal activities
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$13,300,000	–	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), (vii)	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), (v), (vii)	The People's Republic of China	Registered and paid-in capital of RMB12,000,000	–	100	Motor vehicle 4S dealership
上海賓利汽車銷售有限公司 (Bentley Shanghai Motor Sales Ltd.)	(iii), (vii)	The People's Republic of China	Registered and paid-in capital of RMB12,000,000	–	100	Motor vehicle distributor
雲南中馳汽車銷售服務有限公司 (Yunnan Zhongchi Motors Sale and Service Limited)	(ii), (v), (vii)	The People's Republic of China	Registered and paid-in capital of RMB6,150,000	–	100	Motor vehicle 4S dealership
雲南聯迪汽車服務有限公司 (Yunnan Liandi Motors Service Limited)	(iii), (vii)	The People's Republic of China	Registered and paid-in capital of RMB10,000,000	–	80	Motor vehicle 4S dealership
雲南寶泰隆汽車服務有限公司 (Yunnan Bao Tailong Motors Service Limited)	(vii)	The People's Republic of China	Registered and paid-in capital of RMB5,000,000	–	80	Motor vehicle 4S dealership
廣東偉德利電器製造有限公司 (Guangdong Victory Electrical Appliances Manufacturing Co., Ltd.)	(i), (vii)	The People's Republic of China	Registered and paid-in capital of US$20,000,000	–	100	Production and sales of household electrical appliances
廣州廣保豐田汽車銷售服務有限公司 (Guangzhou Guangbao Toyota Motors Sale and Service Limited)	(iv), (v), (vii)	The People's Republic of China	Registered and paid-in capital of RMB15,000,000	–	100	Motor vehicle 4S dealership

40. Details of principal subsidiaries (continued)

Name of subsidiaries	Note	Place of incorporation / establishment / operation	Authorised / registered / paid-in / issued capital	Proportion of equity interest held by the Company %	Proportion of equity interest held by a subsidiary %	Principal activities
廣州駿佳淩志汽車銷售服務有限公司 (Guangzhou Junjia Lexus Motors Sale and Service Limited)	(ii), (vi), (vii)	The People's Republic of China	Registered and paid-in capital of RMB10,000,000	–	55	Motor vehicle 4S dealership

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 regulations 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 the persons which have the legal capacity under the regulations 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 OPCO to WOFE.

(vi) The entity is in the process of conversion from OPCO to Sino-Foreign Equity Joint Venture.

(vii) The official name of the company is in Chinese and the English translation is for reference only.

MAJOR PROPERTIES HELD BY THE GROUP

As at 31 December 2009

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. Ping Shan, Kiu Tau Wai, Yuen Long, New Territories, Hong Kong Lot No.423 in DD127	2059	100	4,500	Motor service bays (under construction)
3. 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
4. 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

Address / Lot no.	Leasehold expiry	Group's interest %	Approximate saleable area (sq. m.)	Existing use
5. 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
6. 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)
7. 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
8. 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 and an office (under construction) 3,148	Food processing and warehouse

Address / Lot no.	Leasehold expiry	Group's interest %	Approximate saleable area (sq. m.)	Existing use
9. Lot T7-6, No.28, Yinzhou Avenue, Huicheng, Xinhui District, Jiangmen, Guangdong Province, The People's Republic of China	2054	100	8,378	Warehouse
10. 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
11. 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
12. 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
13. 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

Address / Lot no.	Leasehold expiry	Group's interest %	Approximate saleable area (sq. m.)	Existing use
14. 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
15. No.258 Nangang Gong Road, Huinan Town, Nanhui District, Shanghai, The People's Republic of China	2048	46.062	9,696	Vacant
16. No.1 Yanda Road (San Zhou Section), Lunjiao Town, Shunde District, Foshan City, Guangdong Province, The People's Republic of China	2054	100	116,154	Industrial
17. Lot No.2006-13, West of Wai Huan East Road, Yu Xing Town, Jia Xing City, Zhejiang Province, The People's Republic of China	2046	100	5,500	4S shop
18. Ling Gang Section, No.178 Zhongshan Six Road, Zhongshan Huo Ju Development Zone, Zhongshan City, Guangdong Province, The People's Republic of China	2043	90.01	4,053	4S shop
19. Kan Zhong Village, Kan Dun Jie Dao Sun Fang Village, Ci Xi City, Zhejiang Province, The People's Republic of China	2049	50	9,155	4S shop

Address / Lot no.	Leasehold expiry	Group's interest %	Approximate saleable area (sq. m.)	Existing use
20. Land No.712-2 in Zi Wu Road, Qu Jing City, Yunnan Province, The People's Republic of China	2047	100	3,900	4S shop
21. No.508 Bai Long Road, Kunming City, Yunnan Province, The People's Republic of China	2048	100	4,608	4S shop
22. Level 6, No.1265 Chang De Road, Putuo District, Shanghai, The People's Republic of China	2046	60	832	Office
23. Units 1901 to 1903 and Units 1905 to 1909 on 19th Floor, Units 2001 to 2003 and Units 2005 to 2013 and Units 2015 to 2020 on 20th Floor, Enterprise Square, No.228 Mei Yuen Road, Shanghai, The People's Republic of China	2048	100	2,441	Office
24. Units 1910 to 1913 and Units 1915 to 1920 on 19th Floor, Enterprise Square, No.228 Mei Yuen Road, Shanghai, The People's Republic of China	2048	100	870	Office
25. Portion of Dah Chong No.2 Building, 18-2, Roppongi 5-chome, Minato-ku, Tokyo, Japan	Freehold	100	1,013	Office

Address / Lot no.		Leasehold expiry	Group's interest %	Approximate saleable area (sq. m.)	Existing use
26.	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
27.	20 Tuas Avenue 2, Singapore 639451 Lot No 1349 Mukim 7	2041	100	4,841 plus parking area 132	Car showroom, workshop, storage and office
28.	259 Pandan Loop, Singapore 128435 Lot No 4009A (JTC Pte Lot A14379) Mukim 5	2012	100	1,138	Cold store
29.	No.11 Old Toh Tuck Road, Singapore	2019	100	1,849	Car parking

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

Address / Lot no.	Leasehold expiry	Group's interest %	Approximate saleable area (sq. m.)	Existing use
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
5. 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
6. 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
7. Shops 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

Address / Lot no.	Leasehold expiry	Group's interest %	Approximate saleable area (sq. m.)	Existing use
8. Haiwang Hatchery Plant at Haiwang Village, Huinan Town, Nanhui District, Shanghai, The People's Republic of China	2048	46.062	2,053	Vacant
9. Xing Guang Farm, Xingguang Village, Zhuqiao Town, Nanhui District, Shanghai, The People's Republic of China	2048	46.062	6,041	Vacant
10. 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	Industrial
11. 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	Vacant
12. 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

Address / Lot no.	Leasehold expiry	Group's interest %	Approximate saleable area (sq. m.)	Existing use
13. 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
14. 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
15. 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
16. Dah Chong No.2 Building, 18-2, Roppongi, 5-chome, Minato-ku, Tokyo, Japan	Freehold	100	1,405	Commercial / office
17. Toriizaka House 14-19, Roppongi, 5-chome, Minato-ku, Tokyo, Japan	Freehold	100	683	Residential / office

Address / Lot no.	Leasehold expiry	Group's interest %	Approximate saleable area (sq. m.)	Existing use
18. Land No.346-22, Azateradani, Hino-Cho, Nishiwaki-shi, Hyogo Prefecture, Japan	Freehold	100	6,300	Vacant
19. Land No.8-162 and 8-179, Ogase-Cho, Kagamihara-shi, Gifu Prefecture, Japan	Freehold	100	7,123	Vacant
20. Land No.689, Azazendana, Higashiodaka, Isumi-shi, Chiba Prefecture, Japan	Freehold	100	509	Vacant
21. Land No.692, Azazendana, Higashiodaka, Isumi-shi, Chiba Prefecture, Japan	Freehold	100	694	Vacant

Note: The official address of the property in the People's Republic of China is in Chinese and the English translation is for reference only.

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

Headquarters and Registered Office

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Fax: 2796 8838

Website

www.dch.com.hk contains a description of DCH Holdings' business, copies of interim and 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 Registrar

Shareholders should contact our Registrar 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
Hong Kong
Telephone: 2980 1333
Fax: 2810 8185

Investor Relations

Investors, shareholders and research analysts may contact the Investor Relations Department.
Telephone: 2768 3110
Fax: 2758 1117
Email: ir@ir.dch.com.hk

Financial Calendar

Closure of Register:	6 May 2010 to 12 May 2010
Annual General Meeting:	12 May 2010, 10:30 a.m. Grand Ballroom Lower Lobby Conrad Hong Kong Pacific Place 88 Queensway Hong Kong
Final Dividend payable:	19 May 2010

Annual Report 2009

Our Annual Report is printed in English and Chinese language and is also available on our website 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 Registrar.

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 Registrar.

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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