大昌行集團有限公司

DAH CHONG HONG HOLDINGS LIMITED

Vitality ▪ Professionalism

·Our China Momentum

ANNUAL REPORT **2011**

Stock Code: 01828

Vitality ▪ Professionalism

Our China Momentum

Dah Chong Hong Holdings Limited ("DCH" or "the Group") is a business conglomerate with key interest in the consumer market and has gained strong foothold in the Greater China, Singapore, Japan and Canada. It has a diversified business portfolio with three core businesses: Motor and Motor Related Business, Food and Consumer Products Business, and Logistics Business. In recent years, mainland China has been and will continue to be the focus of growth for the Group. We will capitalise on our solid foundations and extensive distribution network to sustain our business growth, generating remarkable contributions to the Group as well as our shareholders.

Contents

43.1%

Turnover of the Group

Business Highlights

Motor and Motor Related Business

- Segment Turnover rose by 50.9%
- A 45.2% growth in vehicles sold in mainland China
- Added 10 4S shops, taking the dealership network to a total of 65 in the PRC
- Brand portfolio in mainland China expanded to 22, including *Ferrari* and *Maserati*
- In Hong Kong and Macao, a 28.5% and 31.4% unit sales growth of *Audi* and *Bentley* respectively
- Launching luxury brand *INFINITI* in Hong Kong in 2012
- Appointed by *Audi* to set up the third dealership in Taiwan
- Designated by *Isuzu* as its distributor in Taiwan, extending our collaboration to cover the Greater China region

Food and Consumer Products Business

- A 17.2% growth of Segment Turnover
- A 42.0% sales growth of FMCG in the PRC
- In Hong Kong and Macao, frozen and ambient food commodity recorded a revenue growth of 15.9%
- Joint venture with Brasil Foods S.A. was established and will commence the branded frozen and chilled meat distribution business in mainland China, Hong Kong and Macao in 2012
- Acquired Tai Luen Coffee and Bayern Gourmet Food, enriching our product portfolio and strengthening our distribution network in Hong Kong, paving the way for expansion in China market
- Six *DCH Food Mart* outlets were opened, taking the retail outlets to a total of 83 in Hong Kong
- 10 *DCH AV* retail shops were established in the PRC
- *Pocari Sweat* Phase-2 manufacturing plant and JV factory with CJ CheilJedang Corp. to produce dumplings in the PRC will commence production in 2012

Logistics Business

- A 23.8% growth of Segment Turnover
- Acquired a 25,000-tonne capacity multi-temperature cold storage facilities in Shanghai
- Multi-temperature logistics facilities in Xiamen, Guangzhou and Shenzhen were added

27.1%

Profit from Operations

Financial Highlights

HK$ million	**2011**	2010 (Restated)
Turnover	**46,109**	32,211
Profit from operations	**1,861**	1,464
Profit attributable to shareholders	**1,323**	1,422
Segment profit after taxation		
Motor and Motor Related Business	**1,263**	1,016
Food and Consumer Products Business	**151**	175
Logistics Business	**15**	17
Other Business	**73**	66

HK$ million	**2011**	2010 (Restated)
Total debt	**5,784**	3,302
Cash and bank deposits	**2,854**	1,991
Net debt	**2,930**	1,311
Shareholders' funds	**7,909**	6,848
Total capital	**10,839**	8,159
Capital employed	**13,693**	10,150
Net gearing ratio	**27.0%**	16.1%

HK cents	**2011**	2010 (Restated)
Basic earnings per share	**72.73**	78.94
Diluted earnings per share	**72.40**	78.57
Dividend per share		
Interim	**14.30**	10.68
Final	**12.74**	12.77
Total	**27.04**	23.45

CHAIRMAN'S LETTER TO SHAREHOLDERS

"We have sustained our China momentum with record turnover and operating profit, continued our growth on the fast track."

ACHIEVED DOUBLE DIGIT GROWTH AMIDST GLOBAL ECONOMIC SLOWDOWN

On behalf of the Board of Directors of Dah Chong Hong Holdings Limited ("DCH" or the "Group"), I am delighted to report that DCH has achieved an outstanding performance with a record turnover and profit from operations in 2011.

For the year ended 31 December 2011, the Group recorded a total turnover of HK$46,109 million, a solid growth of 43.1% against the previous year (2010: HK$32,211 million) driven by the strong growth of our Motor Business in mainland China. Profit attributable to shareholders was HK$1,323 million compared with HK$1,422 million in 2010 which included an exceptional gain on disposal of a Jointly Controlled Entity ("JCE") of HK$331 million. If this exceptional gain is excluded, the year on year ("y.o.y") growth was 21.3%.

Basic earnings per share was 72.73 HK cents (2010: 78.94 HK cents) for the year. The Board of Directors has proposed the payment of a final dividend of 12.74 HK cents (2010: 12.77 HK cents) per share, which combined with an interim dividend of 14.30 HK cents (2010: 10.68 HK cents) per share already paid, gives a full year dividend of 27.04 HK cents (2010: 23.45 HK cents) per share.

MOTOR AND MOTOR RELATED BUSINESS CONTINUED TO EXPAND

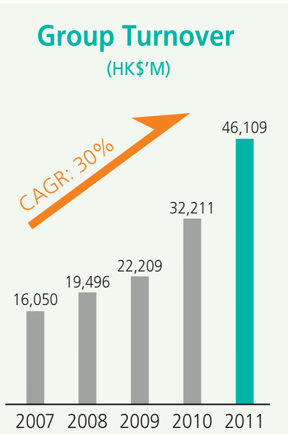
During the year under review, our Motor Business achieved excellent results. In mainland China, over 85,000 vehicles were sold, a vigorous 45% growth. We have achieved encouraging development of the luxury vehicle business in terms of the number of vehicles sold and brand representation. We have secured five additional *Bentley* dealerships in Ningbo, Dalian, Hefei and other two cities in exchange for the early return of the PRC distributorship in 2013. At the end of 2011, we have expanded our luxury brand portfolio by acquiring *Ferrari* and *Maserati* 4S shops in southern China with a view to further expand these brands in the region. The newly set up 4S shops of *FAW Audi* and *Lexus* also recorded good sales which exceeded our original forecast. The Group today has an extensive portfolio of 22 vehicle brands and 65 4S shops. We have added 10 4S shops during 2011 and obtained rights for another 17 dealerships which are scheduled to open in the following years.

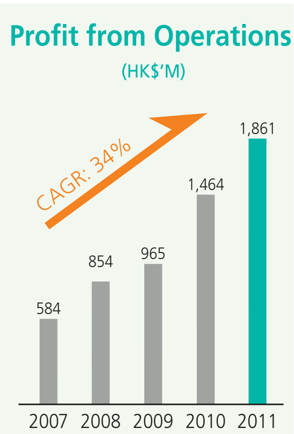
In Hong Kong and Macao, the sales of European auto brands performed very well with the unit sales of *Audi* and *Bentley* up by 29% and 31% respectively. Sales of *Isuzu* and *Nissan* reported growth by 10% and 8% respectively against the backdrop of a strong Japanese Yen. We have also obtained the distributorship of *INFINITI* and plan to launch this new luxury car in Hong Kong in 2012.

In Taiwan, we have been appointed to establish our third *Audi* dealership in New Taipei City following the good performance of our first two *Audi* dealerships in Taipei and Hsinchu. Besides, thanks to our success in developing the *Isuzu* business in Hong Kong, mainland China and Singapore, DCH has now been designated as its distributor in Taiwan, extending the reach of our business collaboration to cover the Greater China region.

TOTAL FOOD SUPPLY CHAIN DEVELOPMENT ON TRACK

In Food Business, we have made substantial progress in developing a Total Food Supply Chain platform. In mainland China, sales of Fast Moving Consumer Goods ("FMCG") continued to perform well with an increase of 42% in sales, attributable to the strong performance of existing key brands, the addition of





new brands such as *Welch's* and *Pringles*, and the extension of our distribution network to more second- and third-tier cities. The establishment of a joint venture ("JV") with Brasil Foods S.A. ("BRF"), a leading global food company, to expand the branded frozen and chilled meat business in mainland China marks a significant milestone in DCH's Total Food Supply Chain development. We believe that the JV will substantially increase our presence within the poultry and pork sectors in mainland China.

In Hong Kong, the successful acquisitions of Bayern Gourmet Food Company Limited and Tai Luen Coffee Company Limited not only strengthen our upstream food and beverage business but also open a new opportunity for extending the food processing, tea and coffee business segments in mainland China. In the retail food sector, *DCH Food Mart* and *Food Mart Deluxe* continue to grow steadily in Hong Kong with the opening of six new outlets in 2011. However, the high rentals in Hong Kong have been hindering our network expansion.

In Consumer Products Business, we have been focusing on developing high-end and professional audio equipment business in mainland China. To support our growth strategy, we have made substantial progress in expanding the sales channels in 2011 by setting up *DCH AV* sales points within major retail chain stores and audio-visual centres in the market.

ENHANCED COASTAL LOGISTICS NETWORK

We have further expanded our Logistics Business network in mainland China. The acquisition of a 25,000-tonne capacity multi-temperature cold storage facility in Shanghai marks a major strategic advance in establishing our eastern China logistics hub. This, together with our facilities in Shenzhen, Guangzhou, Xiamen, Hong Kong, Macao and Xinhui forms a strong logistics network.

2012 AND BEYOND

Thanks to our diversified business portfolio and prudent expansion strategy, we have kept the promise to our shareholders to continue our growth momentum in 2011. Looking into the future, we see healthy growth prospects across all core businesses.

The motor market in mainland China is expected to grow at a slower pace in 2012 after the rapid expansion in the past few years. However, our diversified portfolio including luxury and super luxury brands and our focus on developing new car accessories and after-sales service business will enable us to enhance our profitability and outperform the overall market. On top of the 17 new dealerships obtained in 2011, we will continue our efforts to expand the 4S shop network through greenfield development as well as merger and acquisition ("M&A"). We target to add 15 4S shops every year from 2012 onwards. As the China motor market gradually matures, we will step up our development activities in the Motor Related Business to cope with the upcoming demands for motor leasing, used car, independent service outlets and the trading of accessories and consumables such as tyres and lubricant oil.

Amidst rising consumer concern over food safety and increasing consumption power in mainland China, we will speed up our development of the Total Food Supply Chain to capture the vast potential in the food business. The JV with BRF is instrumental to our midstream and upstream business development. The JV is expected to increase our business in the import and distribution of branded frozen and chilled food products, and enhance our food processing capabilities in the coming few years. For FMCG business, we will enlarge our distribution coverage to more cities, penetrate more food services and retail channels and expand the food categories within our product portfolio to meet the growing demand in mainland China. Moreover, we will intensify our marketing activities in the new sales channels, including online and TV shopping, to reach the young and affluent customers. We believe that this broad-based strategy across the supply chain will take our Food Business to new heights.

For the development of premium audio-visual products, *DCH AV* is our strategic move to establish a strong and competitive position in the booming market. We will accelerate our pace in developing an extensive retail platform in mainland China with outlets in different cities, such as Shanghai, Chengdu, Suzhou and Nanjing, operated by ourselves and franchisees. We are aiming to have 80 *DCH AV* outlets by end of 2012.

Logistics Business is instrumental to the success of our Food Business. With our extended infrastructure spanning southern and eastern China, we are well-positioned to cope with the rising demand for logistics services in the region. We will continue to build more logistics hubs and maximise the efficiency of our facilities to support the expansion of our Food Business, to strengthen our collaboration with the principals and to serve the third party customers.

ASSET DISPOSAL

The Group has disposed certain properties in Hong Kong at a total consideration of HK$240 million (2010: HK$124 million) and recorded a total gain of HK$86 million (2010: HK$122 million), conserving cash for core business development.

APPRECIATION

In closing, I would like to thank all of DCH's shareholders, business partners and employees for their support and confidence in our development strategy. In particular, I would like to express my gratitude to Mr. Alex Chu, the Deputy Chairman who retired at the end of last year, for his 47 years of contribution to the Group. I wish him well and hope that he enjoys his retirement.

HUI YING BUN, *Chairman*

Hong Kong, 1 March 2012

MANAGEMENT DISCUSSION AND ANALYSIS

HK$46,109m

Turnover of the Group

HK$1,861m

Profit from Operations

BUSINESS REVIEW AND PROSPECTS

Operating Results

For the year ended 31 December 2011, the Group recorded a total turnover of HK$46,109 million, an increase of 43.1% against the previous year (2010: HK$32,211 million) driven by the strong growth of our Motor Business in mainland China and the inclusion for the first year of the turnover of the car dealership companies previously acquired. Profit attributable to shareholders was HK$1,323 million compared to HK$1,422 million in 2010 which included an exceptional gain on disposal of a JCE of HK$331 million. If this exceptional gain is excluded, the y.o.y growth was 21.3%. Excluding this and other non-operating items, such as net gain on remeasurement from investment properties of HK$124 million (2010: HK$30 million), gain on disposal of properties in Hong Kong of HK$86 million (2010: HK$122 million) and adding back non-operating expenses such as impairment losses on goodwill, intangible assets and fixed assets of HK$36 million (2010: HK$106 million) and other non-operating items of HK$82 million (2010: HK$16 million), the Group's adjusted net profit for the year amounted to HK$1,231 million, a growth of 16.0% compared to last year's HK$1,061 million.

The adjusted net profit margin was 2.7% versus 3.3% in 2010. The drop was mainly due to the first year consolidation of turnover of the previously acquired car dealership companies and the decrease in the share of profit from JCEs upon the disposal of the cosmetic business in 2010.

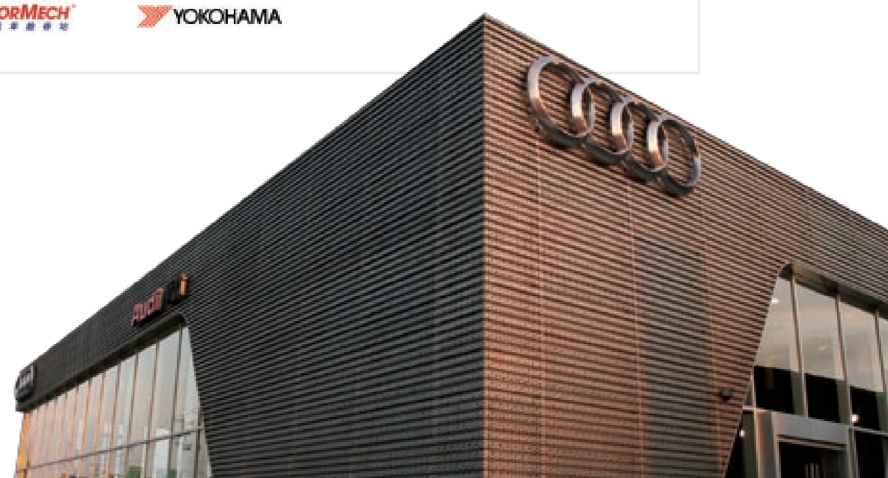
Basic earnings per share was 72.73 HK cents versus 78.94 HK cents in 2010. The Board of Directors proposed payment of a final dividend of 12.74 HK cents per share for the year ended 31 December 2011 (2010: 12.77 HK cents). Together with the interim dividend of 14.30 HK cents (2010: 10.68 HK cents) per share already paid during the year, total dividend for the year amounted to 27.04 HK cents (2010: 23.45 HK cents) per share.

Motor and Motor Related Business

Motor and Motor Related Business

The Group achieved strong growth amidst market slowdown in mainland China thanks to its effective business strategy and persistent efforts in enhancing the quality and profitability of the PRC dealerships. Motor Business' Segment Turnover in 2011 increased by 50.9% to HK$37,183 million driven by the strong sales in the PRC market and the first year of consolidation of the turnover of a new group of car dealership companies in mainland China. Segment result from operations rose by 28.5% to HK$1,672 million. Segment profit after taxation also grew by 24.3% to reach HK$1,263 million.

In the PRC, DCH's unit sales growth outpaced the market once again with 85,448 vehicles sold in 2011, a 45.2% growth. In the distributorship business, the sales volume of *Bentley* reached a record high while *Isuzu* maintained a growth in 2011. As for the dealership business, we have enhanced the same store performance of our 4S shops and secured more luxury brands such as *Ferrari* and *Maserati* to strengthen our brand portfolio. Solid groundwork has been laid in developing Motor Related Business such as motor leasing, independent service outlet, lubrication oil and used car business to prepare for the upcoming strong market demand.



In Hong Kong and Macao, DCH recorded a 2.1% growth in unit sales with 11,036 vehicles sold, attributable to the satisfactory sales growth of European vehicles in 2011. In 2012, the launch of a new luxury brand *INFINITI*, delivery of electric buses, development of emission control products for franchised buses and opening of more independent service outlets will bring in new elements to this mature market.

Encouraging progress has been made in DCH's business development in Taiwan as the Group has been appointed to open its third *Audi* dealership and as the distributor of *Isuzu* vehicles for the market. Singapore business reported growth in unit sales while operation in Canada remained stable.

MAINLAND CHINA

- Overall motor market expanded by 2.5% to 18.5 million units.
  - Passenger car market increased by 5.2% to 14.5 million units.
  - Commercial vehicle market dropped by 6.3% to 4.0 million units.
- DCH achieved 45.2% growth on unit sales in 2011 with 85,448 units sold.
  - Passenger car unit sales increased by 58.2% to 70,983 units.
  - Commercial vehicle unit sales increased by 3.5% to 14,465 units.

Distributorship

- Sales volume of *Bentley* reached a record high with 1,664 units sold, an increase of 104.2%.
- Secured five additional *Bentley* dealerships in Ningbo, Dalian, Hefei and other two cities in exchange for the early return of the PRC distributorship in 2013.
- *Isuzu* sales volume increased by 3.3%, despite supply interruption brought by the Japan 311 earthquake.

Dealership

- Number of 4S shops increased by 10 to 65 in 2011.
- Same store unit sales grew by 12.7%, outpacing the overall market.
- Turnover of after-sales service rose by 24.5% and same store unit service grew by 18.9%, providing good and stable sources of income.
- Strong performance in super luxury and luxury car dealership business:
  - 44.1% growth in unit sales.
  - *Bentley* dealership in Shanghai and Hangzhou ranked 2nd and 3rd in global sales ranking.
  - *Lexus* dealership in Guangzhou ranked 3rd in national sales ranking.
- Brand portfolio expanded to 22:
  - Acquired *Ferrari* and *Maserati* dealerships in Guangzhou and Shenzhen, covering Guangdong province and southern China market.

Motor and Motor Related Business

- Target to add 15 4S shops annually. Already secured 17 new 4S shops, most of which are super luxury or luxury brands including *Bentley*, *FAW Audi*, *Ferrari*, *Lexus* and *Maserati*.
- The replacement demand, car accessories and after-sales service business are key factors to the growth in the dealership business.
- Garnered major awards from carmakers including:
  - *FAW Toyota* 4S shops in Guangzhou, Shenzhen and Zhanjiang – National 10 Best 4S Shops (全國十佳金牌店)
  - *SGM Buick* 4S shop in Kunming – 5-Star Sales Award, 5-Star After-sales Service Award (銷售五星獎、售後服務五星獎)
  - *Mercedes-Benz* 4S shop in Jiangmen – 2011 Star Sales Team Competition Annual Winner (2011明星銷售團隊評比年度冠軍)
  - *GAC Toyota* 4S shop in Shenzhen – Excellent Achievement Award (卓越成就獎)
  - *Qingling* – National Best Dealer (全國最佳經銷商)
  - *Haima* 4S shop in Kunming – National Champion of Sales (全國銷量總冠軍)

Motor Related Business

- Expanded motor leasing network to 10 first- and second-tier cities, creating a solid platform for further development.
- Five *MotorMech* outlets were established in Dongguan in 2011. To continue the pilot programme, we aim to set up five more in other cities in Guangdong province in 2012.
- The lubrication oil blending plant in Xinhui has commenced operation in 2011. Production volume will increase to 18 million liters in 2012.

HONG KONG AND MACAO

- 11,036 vehicles were sold in 2011, a 2.1% growth.
- 21.0% market share in Hong Kong, edged down by 1.7-percentage-point.
- European brands recorded strong unit sales growth in 2011 with *Audi*, *Bentley* and *MAN* reporting growth of 28.5%, 31.4% and 69.2% respectively.
- *Isuzu* and *Nissan* reported 9.7% and 8.3% growth in unit sales, despite strong appreciation of Japanese Yen.
- Distributorship of *UD Trucks* expired at the end of 2011.
- A new luxury brand *INFINITI* will be launched in 2012.
- Secured a HKSAR Government tender of 64 units of refuse collection vehicle in 2011, demonstrating our strong engineering capability in special purpose vehicle.
- The first batch of electric buses will be delivered to customers in 2012.
- Aim to add two more *MotorMech* outlets to a total of seven in Hong Kong by the end of 2012.
- The trial programme of retrofitting Selective Catalytic Reduction device for franchised buses is progressing well, paving the way for new growth in emission control product business.

OTHER MARKETS

- Taiwan
  - *Audi* unit sales increased by 57.4%.
  - Appointed to establish a new *Audi* dealership in New Taipei City, the third DCH *Audi* dealership in Taiwan in 2012.
  - Appointed by *Isuzu* as the Taiwan distributor from 2012 onwards.
- Singapore
  - 6.0% unit sales growth, mainly contributed by *Isuzu* business.
  - *Foton* commercial vehicle is still in development stage.
- Operation in Canada remained stable.

Food and Consumer Products Business

Food and Consumer Products Business

Segment Turnover recorded a 17.2% rise to HK$8,443 million compared with HK$7,206 million in 2010. Segment result from operations increased by 12.7% to HK$160 million in Hong Kong and Macao and surged by 47.9% to HK$105 million in the PRC. However, a loss of HK$55 million was incurred in overseas market as the poor economic situation in Europe impacted our electrical appliances manufacturing business. Coupled with the decrease in our share of profit from JCEs upon the disposal of our stake in cosmetics business in July 2010, the segment profit after taxation decreased by 13.7% to HK$151 million (2010: HK$175 million).

To keep on developing our Total Food Supply Chain initiative, we have undertaken more M&A and new product development projects in 2011, which will contribute financially and create synergies with existing business. In order to broaden our distribution network and strengthen the support to the enlarged sales channels, we will set up more regional offices in a number of PRC cities in 2012.

Food and Consumer Products Business

MAINLAND CHINA

Segment turnover grew 21.7% to HK$3,483 million.

Food Business

- Strong sales from FMCG business with growth of 42.0%, attributable to the strong performance of key brands such as *Ferrero*, *Fonterra* and *Wyeth*, high customer service standard for order fulfillment and trade marketing activities.

- Secured new brands including *Welch's* (grape juice) and *Pringles* (potato chips).

- Established a JV with BRF, a leading global food company, a milestone forging the Group's Total Food Supply Chain:

  – The JV company will handle the business encompassing frozen and chilled poultry, pork and beef products, including both raw and processed products, in mainland China.

  – Build the branded food business to penetrate food service and retail channels in mainland China, Hong Kong and Macao.

  – Develop local meat processing business in mainland China.

  – Commence business in the first half of 2012, with estimated sales volume of more than 140,000 tonnes in the first year.

- New manufacturing plants further uplift the Group's distribution business in the region:

  – *Pocari Sweat* Phase-2 manufacturing plant will commence production in the first half of 2012, tripling the production capacity when fully operational.

  – JV factory with CJ CheilJedang Corp., one of the largest food manufacturers in Korea, will commence operation in 2012. Initial phase of production will start with frozen dumplings.

- Continue to push food commodities by enriching product portfolio in imported frozen seafood, poultry and meat.

- Establishing sales offices in key cities in China, including Hangzhou, Xiamen, Chengdu, Wuhan and Kunming to extend the distribution network and coverage across different channels.

- Exploring new sales channels including TV shopping.

Consumer Products

- Sales of electrical appliances rose by 58.3%, mainly attributable to popular demand for trendy headphones.

- Expanding *DCH AV* shops retail chain:

  – 10 retail outlets, located mainly within national electrical appliances chains, were established in Shanghai, Chengdu, Suzhou and Nanjing to promote our premium imported high-end AV products.

  – Target to expand to 80 outlets by the end of 2012 through franchise and direct operation.

- Continue to promote high-end audio and home theatre products through our existing dealer network.

HONG KONG AND MACAO

- Sales grew at a remarkable rate of 18.1% to HK$4,061 million.

- Frozen food commodities, FMCG, *Food Mart* and food processing business were the key growth drivers.

Food and Consumer Products Business

Food Business

- DCH remains one of the leading frozen food commodity importers in Hong Kong.

- Frozen and ambient food commodity recorded a revenue growth of 15.9%, attributable to the expanding product portfolio and distribution channels. Sales to both wholesale and food service channels achieved significant growth.

- Core products such as *Valley Chef Chicken Franks*, frozen abalone and edible oil maintained leading positions in the relevant market segments.

- Sales of FMCG products to retail channels achieved particularly strong y.o.y growth of 21.0%, with *Almond Roca* and recently added agency products such as *Brand's* and *Mazola* recording prominent growth.

- Obtained distribution rights for renowned brands, *Hero* (jam) and *Porthos* (canned fish), as well as *CSM's* bakery products.

- Development of private labels such as *BRIO* (hand-made cookies) and *Canasia Deli* (western delicatessen) is progressing well.

- Acquisitions of Tai Luen Coffee Company Limited (coffee and tea manufacturer and distributor) and Bayern Gourmet Food Company Limited (western delicatessen manufacturer and distributor) were completed in 2011:

  – Enriching product portfolio and strengthening our distribution network.

  – Exploring expansion into China market in 2012.

- *DCH Food Mart* recorded same store sales growth of 6.4%:

  – Six new outlets were opened in 2011, taking the total number of shops to 83 by the end of 2011. High rentals hindered the growth momentum of retail outlets.

  – Target to open 10 new *Food Mart/Food Mart Deluxe* stores in 2012.

  – E-shopping platform was launched in 2011 to reach the young and affluent customers.

Consumer Products

- *Electrolux* recorded significant growth during 2011, attributable to the strong sales in built-in household appliances. An *Electrolux* Showroom was opened in February 2012 to facilitate more property project related business.

- Trendy headphone experienced more than doubled y.o.y sales growth.

OTHER MARKETS

Food Business

- Singapore business turned around due to strengthening of distribution network.

- Business in Japan remained stable despite the Japan 311 earthquake.

Consumer Products

- Europe's poor economic situation affected the electrical appliances manufacturing business.

- Underwent restructuring to trim costs of the production plant and enhance new products' development so as to improve profitability.

Logistics Business

Logistics Business

The Segment Turnover rose by 23.8% to HK$452 million of which HK$109 million was from internal customers. Segment result from operations dropped by 18.2% against last year to HK$18 million under the impact of the minimum wages legislation and increase in operating expenses in Hong Kong as well as the start-up expenses for the new logistics facilities in Shanghai.

To support the Group's Food Business and attract more third party customers, we have extended the logistics set-up in southern (Guangzhou and Shenzhen) and eastern (Shanghai and Xiamen) China during 2011 and these efforts will continue in the coming years. We will further strengthen the collaboration with our partners, such as BRF and *Ferrero*, by providing more value-added services to them.

MAINLAND CHINA

- Revenue of Xinhui's logistics business doubled in 2011, attributable to the increased cross border importation business and higher occupancy rate of warehouses.
- Acquired a 25,000-tonne capacity multi-temperature cold storage facility in Shanghai in 2011.
- Additional multi-temperature logistics facilities operated in Xiamen, Guangzhou and Shenzhen in 2011.
- Forging a strong cold chain and distribution network coverage in the PRC to attract more third party logistics customers.
- The Group will continue to develop food safety testing capability to control the food quality along the entire cold chain process.

HONG KONG AND MACAO

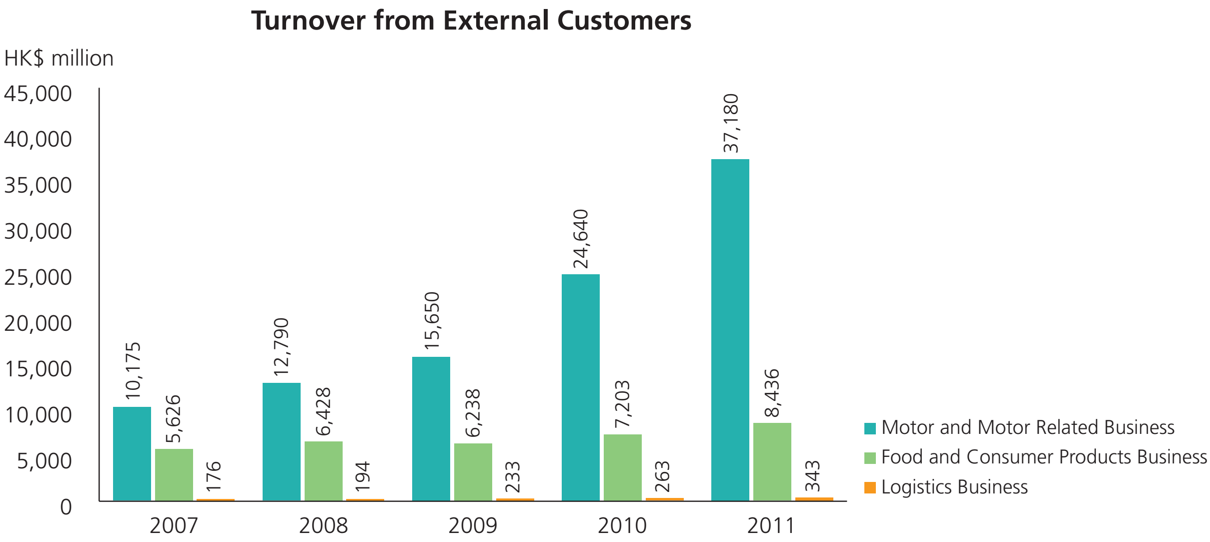
- Revenue recorded y.o.y growth of 7.7%, while segment profit after taxation grew by 6.3%.
- Macao's revenue rose substantially with services provided to major gaming and entertainment resorts.
- The Group will step up efforts to solicit higher margin business with our advanced and comprehensive logistics solutions, designed for wine and health & natural food supplements.
- The Group will expand value-added services including repacking, sorting and labeling, real-time Radio Frequency Identification Device food quality tracking, etc. to major principals, thereby acting as their regional distribution centre in China and other Asian markets.

FINANCIAL REVIEW

INTRODUCTION

The Group's 2011 Annual Report includes the Chairman's letter to shareholders, the financial statements and other information required by accounting standards, legislation, and the applicable disclosure provisions of the Listing Rules. 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 2011 was HK$46,109 million, increased by 43.1% compared with HK$32,211 million in 2010, which was mainly attributable to the followings:

- **Motor and Motor Related Business**

  Turnover of Motor and Motor Related Business Segment increased by 50.9% mainly attributable to the strong growth of the PRC segment turnover by 59.7% with the continued expansion of our 4S shop network, and the first year of consolidation of the turnover of a new group of car dealership companies in mainland China. The Hong Kong and Macao segment turnover grew by 13.4% mainly contributed by the growth of the European auto brands like Audi and Bentley. Segment turnover in other markets grew by 39.2% with the expansion of the Audi dealership in Taiwan.

- **Food and Consumer Products Business**

  Turnover of Food and Consumer Products Business Segment increased by 17.2% mainly attributable to the 21.7% increase in segment turnover in the PRC with strong growth of FMCG business due to good performance of existing key brands, the addition of new brands, and extended distribution network. Sales in Hong Kong and Macao grew faster than the market with segment turnover increased by 18.1%; food commodities, FMCG, food mart and food processing business were the key growth drivers. Sales of electrical appliances also grew satisfactorily mainly attributable to the popular demand for trendy headphones in Hong Kong and mainland China.

- **Logistics Business**

  Turnover of Logistics Business Segment grew by 23.8% with segment turnover growing steadily in Hong Kong and more than double in the PRC attributable to the expansion of cross border importation business while the occupancy rate of warehouses also improved.

SEGMENT PROFIT AFTER TAXATION

Segment profit after taxation increased by 17.9% in 2011 compared with 2010 attributable to the following major reportable segments:

- **Motor and Motor Related Business**

  Segment profit after taxation increased by 24.3% to HK$1,263 million mainly attributable to the 33.7% increase in segment profit in mainland China market with the continued expansion of our 4S shop network and the growth of the distribution of luxury vehicles and Isuzu heavy duty trucks in the PRC market.

- **Food and Consumer Products Business**

  Segment profit after taxation in the PRC increased by 20.3% to HK$89 million mainly attributable to encouraging growth of FMCG and electrical appliances distribution businesses. Segment profit after taxation in Hong Kong and Macao was HK$129 million compared with HK$144 million in 2010 with the reduction in share of profit of JCEs upon the disposal of the cosmetics business in July 2010. We continued to incur a loss in other markets as our electrical appliances manufacturing business was affected by the poor economic situation in Europe.

- **Logistics Business**

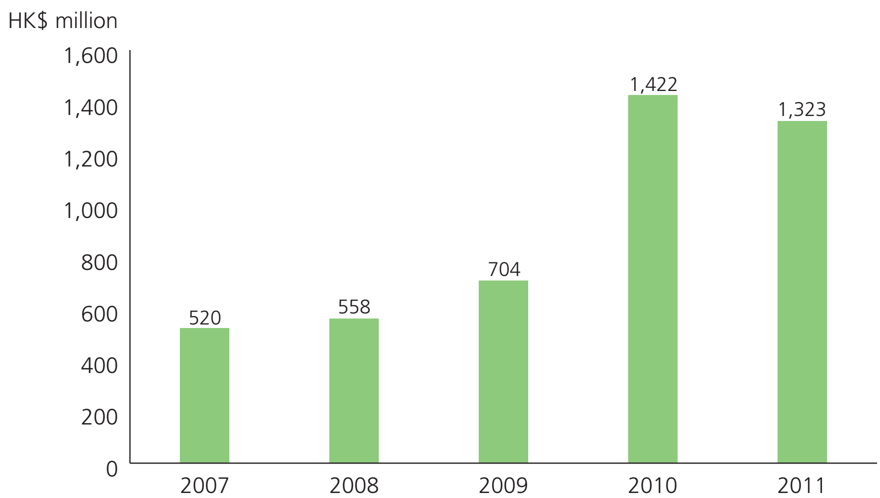
  Segment profit after taxation decreased by 11.8% to HK$15 million mainly attributable to the increase in labour cost in Hong Kong with the introduction of minimum wages legislation and the start up expenses of the new logistics facilities in Shanghai.

Note: Segment profit after taxation represents profit after taxation from each reportable segment including share of profit after tax of associates and JCEs. Items not specifically attributable to individual segment are not allocated to the reportable segments.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Profit attributable to shareholders of the Company for the year 2011 was HK$1,323 million, a decrease of 7.0% as compared with HK$1,422 million for the year 2010 which included an exceptional gain of HK$331 million on disposal of the cosmetics business. Excluding this exceptional gain, the year on year growth was 21.3%.

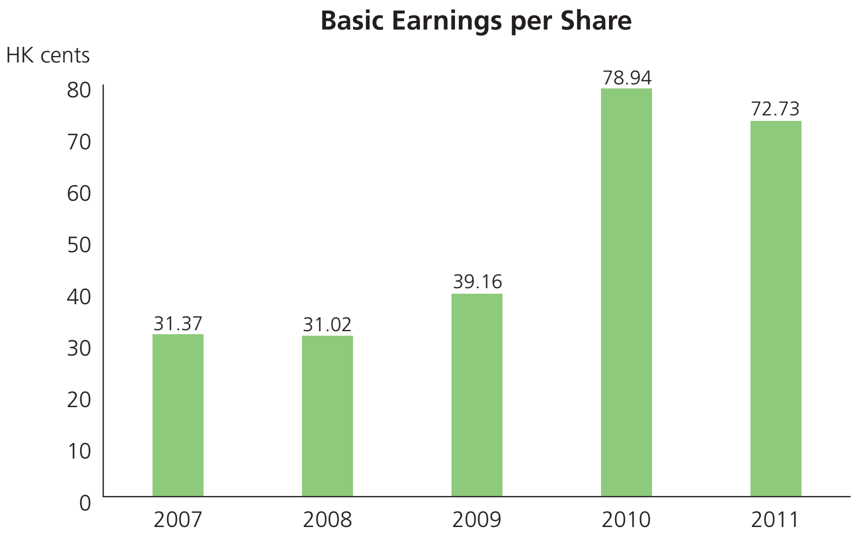
Profit Attributable to Shareholders



FINANCIAL REVIEW

BASIC EARNINGS PER SHARE

Calculation of basic earnings per share for the year ended 2011 was based on the profit attributable to shareholders of the Company and the weighted average of 1,819,064,603 ordinary shares in issue during the year (2010: 1,801,403,329 ordinary shares). Basic earnings per share was 72.73 HK cents for 2011, a decrease of 7.9% as compared with 78.94 HK cents for 2010.



DIVIDEND PER SHARE

The Board of Directors proposed payment of a final dividend of 12.74 HK cents per share for the year ended 31 December 2011 (2010: 12.77 HK cents), together with the interim dividend of 14.30 HK cents (2010: 10.68 HK cents) already paid, the total dividend for 2011 was 27.04 HK cents (2010: 23.45 HK cents).

FINANCE COSTS

The Group's finance costs increased by 68.7% to HK$194 million mainly due to increase of bank borrowings to finance the increase in working capital and capital expenditure for new businesses and expansion of existing businesses in the PRC market. Besides, with the credit tightening in the market, interest rate for bank borrowings increased in both Hong Kong and mainland China during the year.

INCOME TAX

Income tax increased by 46.0% to HK$498 million. Included under deferred tax charge in 2011 were a recognition of deferred tax liabilities of HK$37 million in respect of the tax payable upon the eventual distribution of the undistributed profits from subsidiaries in Japan and a de-recognition of deferred tax assets of HK$8 million (2010: HK$21 million). Excluding the above exceptional tax charges, the effective tax rate for the year was 24.3% compared with 21.9% in 2010, the increase was mainly due to increased profit contribution from mainland China which carry a higher income tax rate.

NET ASSET VALUE PER SHARE

Calculation of net asset value per share was based on the net asset value of the Group of HK$8,475 million (31 December 2010 restated: HK$7,155 million) and the 1,821,148,000 ordinary shares issued at 31 December 2011 (31 December 2010: 1,814,508,000 ordinary shares). Net asset value per share at the end of 2011 was HK$4.65 (2010: HK$3.94 per share).

CAPITAL EXPENDITURE

In 2011, the Group's total capital expenditure was HK$1,214 million (2010: HK$654 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, plant and equipment
Logistics Business	- For construction and acquisition of logistics facilities in mainland China and Hong Kong
Other Business	- Properties, fixtures and fittings
Corporate Office	- Fixtures and fittings

HK$ million	**2011**	2010	Change
Motor and Motor Related Business	**659**	445	214
Food and Consumer Products Business	**53**	63	(10)
Logistics Business	**369**	86	283
Other Business	**118**	42	76
Corporate Office	**15**	18	(3)
Total	**1,214**	654	560

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 limitation and regulatory constraints, operating entities outside Hong Kong are responsible for their own cash management and risk management which are closely monitored by head office. Financing activities outside Hong Kong 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 related. At 31 December 2011, the Group recognised foreign currency forward contracts with a fair value of HK$61 million liabilities (2010: HK$7 million liabilities) as derivative financial instruments.

FINANCIAL REVIEW

Interest Rate Exposure

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

In March and May 2011, the Group had entered into a number of interest rate swaps with a total notional contract amount of HK$400 million to reduce the impact of interest rate fluctuation on its unsecured bank borrowings. These interest rate swaps will be expired in July 2012 and May 2013.

Together with the HK$225 million interest rate swaps entered in 2010, the Group had outstanding interest rate swaps with a total notional contract amount of HK$625 million at 31 December 2011.

Employment of Derivative Financial Instruments

The Group has made use of derivative financial instruments to hedge its interest rate and foreign currency exposures. Derivative financial instruments are for hedging purpose only and speculative trading is strictly prohibited. The credit risks of counterparties are also carefully reviewed.

CASH FLOW

Summary of Consolidated Cash Flow Statement

HK$ million	**2011**	2010	Change
Operating profit before changes in working capital	**2,290**	1,718	572
Increase in working capital	**(1,271)**	(1,453)	182
Cash generated from operations	**1,019**	265	754
Income tax paid	**(465)**	(340)	(125)
Net cash generated from / (used in) operating activities	**554**	(75)	629
Net cash used in investing activities	**(1,201)**	(333)	(868)
Net cash generated from financing activities	**1,296**	369	927
Net increase / (decrease) in cash and cash equivalents	**649**	(39)	688

Operating profit before changes in working capital

Profit before taxation was HK$1,863 million in 2011 as compared to HK$1,797 million in 2010. After adding back the non-cash items like depreciation and amortisation and impairment loss and excluding the exceptional items like the net gain on re-measurement of investment properties and gain on disposal of other fixed assets and other investments, operating profit before changes in working capital was HK$2,290 million (2010: HK$1,718 million).

Increase in working capital

In line with the increase in business volume and the first year of consolidation of a group of PRC car dealership companies in 2011, working capital increased by HK$1,271 million which included increase in inventories of HK$1,900 million and increase in trade and other receivables of HK$836 million, partly offset by increase in trade and other payables of HK$1,465 million.

In 2010, working capital increased by HK$1,453 million owing to the increase in inventories of HK$931 million and increase in trade and other receivables of HK$1,398 million, partly offset by increase in trade and other payables of HK$876 million.

Net cash generated from / (used in) operating activities

Cash generated from operations, after taking into account the changes in working capital, was HK$1,019 million in 2011 (2010: HK$265 million). After taking into account the tax paid of HK$465 million (2010: HK$340 million), net cash generated from operating activities in 2011 was HK$554 million (2010: net cash used in operating activities HK$75 million).

Net cash used in investing activities

Payments for purchase of fixed assets and lease prepayments in 2011 were HK$1,214 million (2010: HK$654 million) and net cash outflow for investments in subsidiaries, associates, JCEs and other investments during the year was HK$292 million (2010: HK$366 million offset by the net proceeds from disposal of a JCE of HK$500 million resulting in a net cash inflow of HK$134 million). After netting off the net proceeds from disposal of fixed assets and lease prepayments of HK$305 million (2010: HK$187 million), net cash used in investment activities was HK$1,201 million (2010: HK$333 million).

Net cash generated from financing activities

Net cash generated from financing activities was HK$1,296 million in 2011 (2010: HK$369 million). This was mainly due to the net proceeds from new bank loans and other loans of HK$2,035 million (2010: HK$795 million) and proceeds from shares issued under share option schemes of HK$37 million (2010: HK$89 million), offset by net cash outflow to holders of non-controlling interests of HK$53 million (2010: net cash inflow HK$15 million), interest paid of HK$194 million (2010: HK$115 million), dividends paid to shareholders of the Company of HK$492 million (2010: HK$395 million) and dividends paid to holders of non-controlling interests of HK$37 million (2010: HK$20 million).

GROUP DEBT AND LIQUIDITY

The financial position of the Group at 31 December 2011, as compared to 31 December 2010, is summarised as follows:

HK$ million	**2011**	2010	Change
Total debt	**5,784**	3,302	2,482
Cash and bank deposits	**2,854**	1,991	863
Net debt	**2,930**	1,311	1,619

The original denomination of the Group's borrowings as well as cash and bank deposit balances by currencies at 31 December 2011 is summarised as follows:

HK$ million equivalent	HKD	RMB	JPY	USD	CAD	SGD	NTD	Others	**Total**
Total debt	2,416	2,875	344	7	3	59	80	–	**5,784**
Cash and bank deposits	213	2,328	190	58	13	15	8	29	**2,854**
Net debt / (cash)	2,203	547	154	(51)	(10)	44	72	(29)	**2,930**

FINANCIAL REVIEW

Leverage

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

At 31 December 2011, the Group's net gearing ratio was 27.0%, compared to 16.1% at 31 December 2010.

HK$ million	**2011**	2010	Change
Net debt	**2,930**	1,311	1,619
Shareholders' funds	**7,909**	6,848	1,061
Total capital	**10,839**	8,159	2,680
Net gearing ratio	**27.0%**	16.1%	10.9%

Net debt increased in 2011 mainly to finance the increase in working capitals and increase of investments in mainland China.

With the increase in borrowings in the PRC and the increase in interest rate for RMB borrowings, the effective interest rate of the Group's borrowings at 31 December 2011 was 4.8% (2010: 3.8%).

Maturity Profile of Outstanding Debt

The Group manages its debt maturity profile actively based on its cash flow and refinancing ability upon debt maturity. At 31 December 2011, the borrowings were repayable as follows:

	HK$ million	% of total
Within 1 year or on demand	**3,764**	65%
After 1 year but within 2 years	**525**	9%
After 2 years but within 5 years	**1,495**	26%
Total	**5,784**	100%

Available Sources of Financing

In addition to cash and bank deposits of HK$2,854 million at 31 December 2011 (2010: HK$1,991 million), the Group had undrawn available loan facilities totalling HK$2,729 million (2010: HK$1,533 million), of which HK$200 million (2010: HK$100 million) was committed term loans and HK$2,529 million (2010: HK$1,433 million) was uncommitted money market lines. The Group also had available trade facilities amounting to HK$4,819 million (2010: HK$4,121 million). Borrowings by sources of financing at 31 December 2011 is summarised as follows:

HK$ million	**Total**	Utilised	Available
Committed Facilities:			
Term loans and revolving loans	**2,425**	2,225	200
Uncommitted Facilities:			
Money market lines	**5,687**	3,158	2,529
Trade facilities	**8,121**	3,302	4,819

This could be reconciled to the total debt as follow:

HK$ million	**2011**	2010	Change
Utilised term loans and revolving loans	**2,225**	973	1,252
Utilised money market lines	**3,158**	2,066	1,092
Discounted bills and trade loans	**397**	261	136
Others	**4**	2	2
Total	**5,784**	3,302	2,482

PLEDGED ASSETS

At 31 December 2011, the Group's assets of HK$1,609 million (31 December 2010: HK$1,155 million) were pledged in relation to financing of discounted bills in Japan, issuance of bank acceptance drafts in mainland China and leasing of vehicles in Canada.

CAPITAL COMMITMENTS

Please refer to note 34(a) to the financial statements for details of capital commitments outstanding at 31 December 2011.

CONTINGENT LIABILITIES

The Company has issued guarantees to banks in respect of banking facilities granted to and utilised by certain subsidiaries. The Group did not have any material contingent liabilities at 31 December 2011.

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

At 31 December 2011, the Group had complied with all of the above financial covenants.

FIVE YEAR SUMMARY

At year end (HK$ million)	**2011**	2010	2009	2008	2007
Shareholders' funds Note 1	**7,909**	6,848	5,490	4,904	4,326
Total debt	**5,784**	3,302	2,436	2,909	1,947
Cash and bank deposits	**2,854**	1,991	1,895	1,643	1,653
Net debt	**2,930**	1,311	541	1,266	294
Net gearing ratio	**27.0%**	16.1%	9.0%	20.5%	6.4%
Interest cover (times)	**13**	19	12	8	15
Total capital Note 1	**10,839**	8,159	6,031	6,170	4,620
Capital employed Note 1	**13,693**	10,150	7,926	7,813	6,273
Property, plant and equipment Note 2	**3,070**	2,115	1,763	1,634	810
Investment properties	**875**	704	808	910	786
Lease prepayments Note 2	**382**	299	315	270	160
Interest in associates	**228**	203	130	148	138
Interest in jointly controlled entities	**239**	356	258	234	165

For the year (HK$ million)	**2011**	2010	2009	2008	2007
Turnover	**46,109**	32,211	22,209	19,496	16,050
Profit attributable to shareholders Note 1	**1,323**	1,422	704	558	520
Basic earnings per share (HK cents) Note 1	**72.73**	78.94	39.16	31.02	31.37
Diluted earnings per share (HK cents) Note 1 and 3	**72.40**	78.57	39.16	31.02	31.37
Net valuation gain / (loss) on investment properties	**124**	30	(12)	(3)	127
EBITDA	**2,450**	2,188	1,351	1,093	914
Dividends per share (post-IPO)	**HK cents**	HK cents	HK cents	HK cents	HK cents
Interim	**14.30**	10.68	4.51	6.43	N/A
Final Note 4	**12.74**	12.77	11.29	2.95	2.13
Total	**27.04**	23.45	15.80	9.38	2.13

Notes:

1. Figures for the years 2007 to 2010 are adjusted for the early adoption of amendments to Hong Kong Accounting Standard 12 "Income Taxes" which is effective for annual period commencing on or after 1 January 2012.

2. Figures of 2009 are adjusted for the adoption of the amendments to Hong Kong Accounting Standard 17 "Leases" which is effective for annual period commencing on or after 1 January 2010.

3. The diluted earnings per share for the years 2007 to 2009 are the same as basic earnings per share as the potential ordinary shares in respect of outstanding share options are anti-dilutive.

4. The level of dividend for 2007 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 on The Stock Exchange of Hong Kong Limited) to 31 December 2007.

FIVE YEAR KEY OPERATION DATA

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

Year	**2011**	2010	2009	2008	2007
Location					
Mainland China	**85,448**	58,833	40,337	23,556	21,699
Hong Kong	**9,282**	9,214	7,526	12,273	10,836
Macao	**1,754**	1,594	1,083	1,485	1,535
Total	**96,484**	69,641	48,946	37,314	34,070

Total number of 4S shops in mainland China

Year	**2011**	2010	2009	2008	2007
4S shops	**65**	55	40	40	30

Total number of motor vehicle showrooms in Hong Kong

Year	**2011**	2010	2009	2008	2007
Motor vehicle showrooms	**13**	13	12	13	14

Total number of DCH food retail outlets in Hong Kong

Year	**2011**	2010	2009	2008	2007
DCH Food Mart	**41**	60	59	57	50
DCH Food Mart Deluxe	**42**	19	13	12	5
Total	**83**	79	72	69	55

HUMAN RESOURCES

As at 31 December 2011, the Group had a total of 15,479 employees, an increase of 1,602 or 11.5% from 2010 level.

	31 December 2011	31 December 2010
DCH and its Subsidiaries		
Mainland China	**10,655**	8,008
Hong Kong	**3,674**	3,563
Other Locations	**342**	327
Associates and JCEs	**808**	1,979
Total	**15,479**	13,877

In terms of geographic locations, there were 11,457 employees in mainland China, 3,680 employees in Hong Kong and 342 employees in other locations: Taiwan, Singapore, Japan and Canada.

HUMAN RESOURCES MANAGEMENT

The Group is an equal opportunity employer, offering equal employment and advancement opportunities to all candidates and employees as well as implementing fair and consistent human resources policies and programs. The Group also upholds high standards of business ethics and personal conduct of its employees. The Code of Conduct, which is the behavioural guide published by the Group, is updated regularly for corporate governance and legislative compliance purposes. All employees are regularly required to acknowledge understanding of and compliance with the Code of Conduct; our business units are also required on a semi-annual basis to report on their enforcement of and compliance with this behavioural guide.

REMUNERATION

Remuneration is an important factor in employee motivation and retention. The Group reviews its remuneration schemes annually to ensure their competitiveness in attracting, retaining and motivating employees who have the relevant skills, knowledge and competencies to develop, support and sustain the continued success of our businesses.

Remuneration of executive directors and senior management of the Group 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 to align their remuneration with shareholders' interests.

TRAINING & DEVELOPMENT

The Group continues its efforts in training and development to support the growth needs of the business and the employees. A wide variety of in-house and external training and development programs, including technical, supervisory, management, sales, customer services, language and compliance training, are arranged. The Group also actively encourages sharing of knowledge, skills and experience among employees of different business units and geographic locations through a range of learning activities in Hong Kong and in mainland China.

Through these dedicated efforts in people development, the Group has made significant achievements during the year. Three motor apprentices from Hong Kong have swept the champion, 1st runner-up and 2nd runner-up awards in the 2011 Best Apprentice Competition organised by the Automobile Training Board of the Vocational Training Council. Our apprentices demonstrated not only their skills in diagnosing and repairing vehicle, but also response to contingency during the process. Furthermore, 21 sales professionals from Hong Kong and mainland China have obtained the"Distinguished Salesperson Award" or "Outstanding Young Salesperson Award" at the "43rd Distinguished Sales Award Competition" organised by the Hong Kong Management Association.

To prepare for future manpower needs, the Group has stepped up its efforts in internship, apprenticeship and traineeship programs to nurture new talents. The management traineeship program continues to develop a group of all-round talents with the requisite business and managerial skills to assume a management career within the Group in the future.

EMPLOYEE CARE

The Group emphasises building employee engagement, striving to enrich both their work and personal lives. Through the Employee Wellness Committee, various kinds of sports, social and recreational activities were regularly organised for employees and their families for their enjoyment and relaxation and promoting teambuilding and bonding.

IN THE COMMUNITY

For the fifth consecutive year, DCH was named a "Caring Company" by the Hong Kong Council of Social Service, in recognition of its good corporate citizenship. Over the years, we have been actively partnering with a wide range of non-profit organisations and enlisting our employees to participate in charitable events and voluntary service. DCH organised various charitable projects helping the elderly, children and the underprivileged in the community.

PHILANTHROPIC ACTIVITIES

In 2011, the Group has doubled the number of philanthropic activities we are engaged in to 43. Some donations were made in cash and others in-kind, leveraging our strengths and resources. We continued to support the annual Oxfam Rice Sale event through rice sponsorship and encourage staff volunteers to sell the rice on the event day. Our team's effort was acknowledged with the 2nd Runner-Up Outstanding Fund Raising Award. We were also actively involved in the Oxfam Trailwalker, another major anti-poverty charitable activity, sponsoring two vehicles for event logistics, food supplies for the participants, and five corporate teams to take on the 100km team challenge. Through these meaningful events, we helped raise funds for the needy while reinforcing the caring culture in the company.

Throughout the period under review, DCH and its employees have made considerable contributions to other important fund raising events including MSF Day, ORBIS World Sight Day, Moon Walkers, Walk for Millions, Love Teeth Day, Dress Casual Day, Charity Golf Day of the Community Chest of Hong Kong, Pok Oi Hospital "Dream Come True for the Elderly" and more. In addition, we have made substantial in-kind donations for charitable causes, including the monthly donation to the Food Bank of Kwun Tong Methodist Social Service, vehicle maintenance service for Life Education Activity Programme (LEAP) and motor leasing for charitable events.

VOLUNTARY SERVICE

In 2011, more than 200 staff members together with their friends and families have provided more than 3,300 hours of voluntary service to the community.

> Care for the Elderly

We have extended our reach through partnering with many non-profit organisations, providing service and care for the senior citizens in Hong Kong. In January and June, a total of 200 volunteers made rice cakes and rice dumplings for the elderly living alone in Ma On Shan. In September, two teams of volunteers visited two elderly homes of Pok Oi Hospital in Tin Shui Wai, delivering healthy mooncakes and loving care during Mid-Autumn Festival. In December, we served a Winter Solstice lunch for 180 senior citizens aged between 64 and 98, wishing all of them happiness and health.

> Care for the Children

In 2011, we organised several museum visits and eco-friendly outings for more than 330 children from underprivileged families and those with learning disabilities, bringing them joy and expanding their learning horizons. During September, we organised a "Mid-Autumn Dreams Come True" fund raising activity with Make-A-Wish Hong Kong. We have sold more than 1,000 fortune bags of healthy food from DCH to raise funds for helping children with serious illnesses fulfill their wishes.

> Cares for the Mainland and Japan

As a responsible corporate citizen, we are fully committed to give back to society in the areas where we have business operations.

In mainland China, the Sichuan Mobile Classroom that we sponsored began operation in April 2011. Operated by the YMCA of Chengdu, the Mobile Classroom, equipped with teaching materials and supplies, sends social workers and volunteers to remote villages in Sichuan every other week to provide educational services and lifts the spirits of children and the elderly. In July, a DCH pioneer volunteer team went to Sichuan, providing services and bringing hope for the young children and villagers in rural areas. Following a successful pilot operation and hoping to provide a wider range of services in Sichuan, we have committed to sponsor a second Mobile Classroom which will start operation in 2012.

Our Japan operation donated JPY 3 million for the relief works in the aftermath of Japan's 311 earthquake and tsunami.

CARE FOR THE ENVIRONMENT

DCH realises the vital importance of the environmental issues within the communities where we work and live. In fact, our environmental efforts have been well recognised. In 2011, we received the "Class of Good" Energywi$e Label and the "Class of Excellence" Wastewi$e Label of the Hong Kong Awards for Environmental Excellence by the Environmental Campaign Committee. Our head office located at DCH Building, Kowloon Bay was also awarded the Platinum Label in the Low-carbon Office Operation Programme (LOOP) Labelling Scheme by the World Wide Fund for Nature ("WWF").

Throughout the year, we encouraged our employees to embrace the principles of Reduce, Reuse, Recycle and Replace in our daily operations. In 2011, we have replaced many of our halogen lamps in the office and showrooms with energy-efficient LED lighting device. Besides, we have been collecting plastic bottles, cans, waste paper, cartridges and old computer hardware for recycling. We have also participated in WWF's Earth Hour, switching off all non-essential lighting in our buildings and supported the event as an associate sponsor to further demonstrate our support for saving energy.

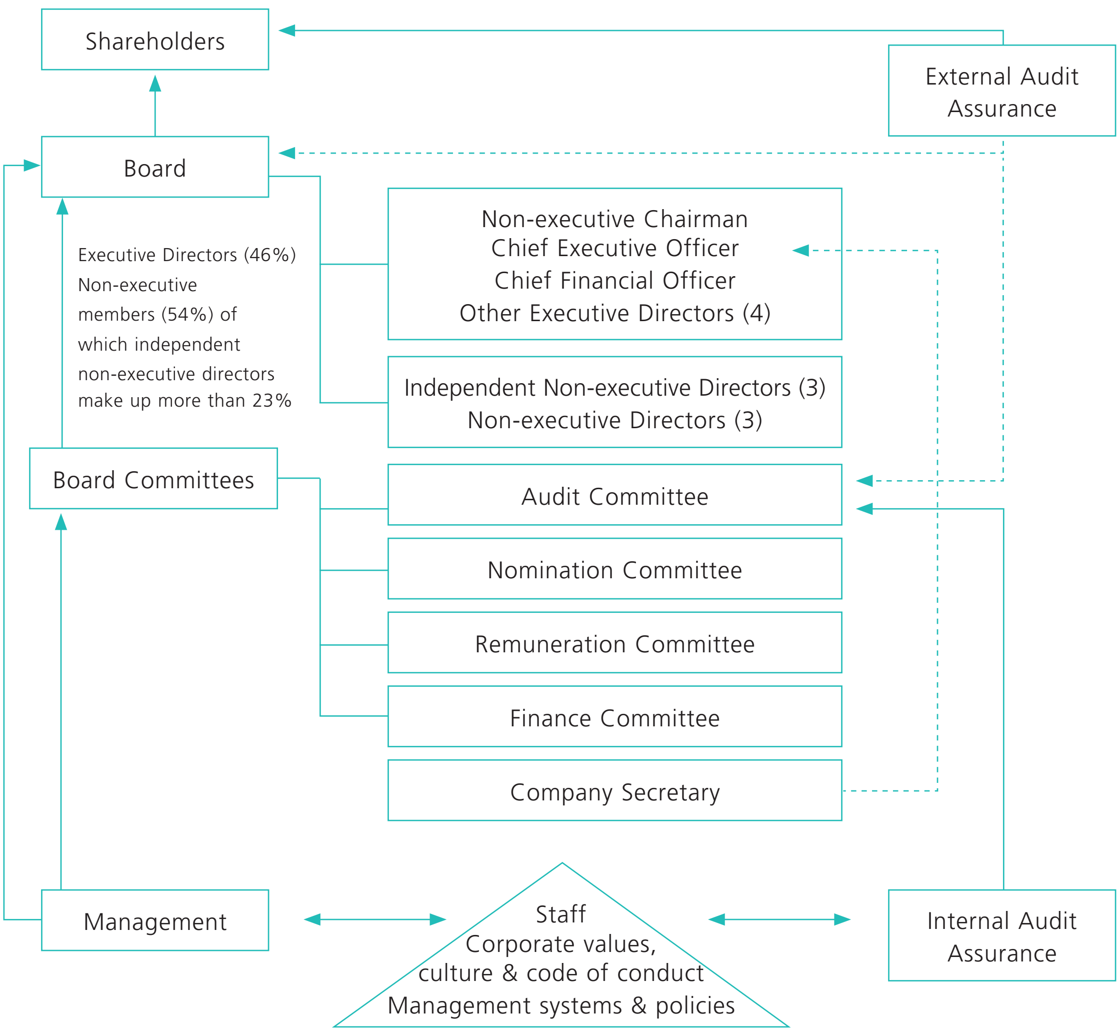
Moreover, we have encouraged our staff to participate in additional environmental activities, including a Lunch-and-Learn session introducing "Low Carbon Living", a visit to Mangrove Boardwalk tour in Mai Po, as well as a "Household Energy Saving Competition" for our staff.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE PRACTICES

Dah Chong Hong Holdings Limited (the "Company") is committed to maintaining high standards of corporate governance. The board of directors (the "Board") believes that good corporate governance practices are important to promote investor confidence and protect the interest of our shareholders. We attach importance to our staff, our code of conduct, and our corporate policies and standards, which together form the basis of our governance practices. We respect the laws, rules and regulations of each country and area in which we operate, and we strive to ensure for our staff a healthy and safe working environment which is our paramount concern. We endeavour to contribute to the sustainable development of the Company, with particular focus on our accountability to shareholders and stakeholders. This report describes how the Company has applied its corporate governance practices to its everyday activities. The Company fully complied throughout the year 2011 with all the code provisions of the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in force prior to 1 April 2012. Looking ahead, we will keep our governance practices under continual review to ensure their consistent application and will continue to improve our practices having regard to the latest developments including any new amendments to the Code.

CORPORATE GOVERNANCE STRUCTURE



BOARD OF DIRECTORS

Overall accountability

The members of the Board are individually and collectively accountable to the shareholders for the success and sustainable development of the Company. The Board provides direction and approval in relation to matters concerning the Company's business strategies, policies and plans whilst the day-to-day business operations are delegated to the executive management. The Board is accountable to the shareholders and in discharging its corporate accountability, each and every director of the Company is required to pursue excellence in the interests of the shareholders and fulfill his fiduciary duties by applying the required levels of skill, care and diligence to a standard in accordance with the statutory requirements.

Board composition

The Board currently comprises six executive directors, four non-executive directors and three independent non-executive directors as defined under the Listing Rules. Non-executive directors (including independent non-executive directors) comprise 54% of the Board of which independent non-executive directors make up more than 23%. The Company will comply with the revised Listing Rules requirement of independent non-executive directors representing at least one-third of the Board before the end of 2012. Currently, four non-executive directors are not independent (as defined by the Stock Exchange) as two directors are the board members of CITIC Pacific Limited ("CITIC Pacific", the controlling shareholder of the Company); one director is the group financial controller of CITIC Pacific; and one director was re-designated from executive Chairman to non-executive Chairman with effect from 1 January 2012. The Company has received from each independent non-executive director a confirmation of his independence pursuant to the independence guidelines set out in Rule 3.13 of the Listing Rules and considers that all independent non-executive directors are independent. Brief biographical particulars of the directors, together with information about the relationships among them, are set out on pages 48 to 50.

All directors, including the non-executive directors, have a specific term of appointment which is not more than three years from the date of his re-election by the shareholders in general meeting. Under Article 104(A) of the Company's New Articles of Association, every director, including the non-executive directors, shall be subject to retirement by rotation at least once every three years. Retiring directors are eligible for re-election at the annual general meeting at which they retire. Separate resolutions are proposed for the election of each director. One-third of the directors, or if their number is not a multiple of three, then the number nearest to one-third, must retire from office at each annual general meeting and their re-election is subject to a vote of shareholders.

Nomination of directors

Prior to the establishment of the nomination committee in March 2012, the Board determined the nomination and appointment of new directors having regard to the relevant skills and experience of the proposed new directors. The Company has on 1 March 2012 established a nomination committee, further details of which are set out below.

CORPORATE GOVERNANCE

Board responsibilities and delegation

The Board collectively determines the overall strategies of the Company, monitors performance and the related risks and controls in pursuit of the strategic objectives of the Company. Day-to-day management of the Company is delegated to the executive director or officer in charge of each business unit and function who reports back to the Board. All Board members have separate and independent access to the management, and are provided with full and timely information about the conduct of the business and development of the Company, including reports and recommendations on significant matters. Should separate independent professional advice be considered necessary by the directors, it would be made available to the directors upon request.

The Board has delegated some of its functions to the respective committees, the details of which are set out below. Matters specifically reserved for the Board include approval of financial statements, dividend policy, significant changes in accounting policies, material contracts, selection of directors, changes to appointments of company secretary and external auditor, remuneration policy for directors and senior management, terms of reference of Board committees, as well as major corporate policies such as code of conduct and whistle blowing policy.

To implement the strategies and plans adopted by the Board effectively, executive directors and senior management meet on a regular basis to review the performance of the business of the Group, co-ordinate overall resources and make financial and operational decisions.

The Company has arranged Directors & Officers Liability Insurance for its directors and officers.

Details of the responsibilities, membership, attendance and activities during the year of each Board committee are set out on pages 38 to 40.

Board meetings and attendance

The Board meets regularly to review financial and operating performance of the Company and to discuss future strategy. Four Board meetings were held in 2011. At the Board meetings, the Board reviewed significant matters including the Company's annual and interim financial statements, annual budget, interim dividend and proposals for final dividend, annual report and interim report. The dates of the next regular Board meetings are fixed at the close of each Board meeting. At least 14 days' notice of all regular Board meetings is given to all directors and all directors are given the opportunity to include matters for discussion in the agenda. The agenda and Board papers for each meeting are sent to all directors at least 3 days in advance of every regular Board meeting. All minutes of the Board meetings are kept by the company secretary and are available to all directors for inspection.

The attendance record of each director at Board meetings and the annual general meeting in 2011 is set out below:

Name of Director	Board Meeting	Annual General Meeting on 11 May 2011
Executive Directors		
Mr Hui Ying Bun – *Chairman* (Note 1)	4/4	1/1
Mr Chu Hon Fai – *Deputy Chairman* (Note 2)	4/4	1/1
Mr Yip Moon Tong – *Chief Executive Officer*	4/4	1/1
Mr Mak Kwing Tim	4/4	1/1
Mr Lau Sei Keung	4/4	1/1
Mr Tsoi Tai Kwan, Arthur	4/4	1/1
Mr Glenn Robert Sturrock Smith	4/4	1/1
Mr Wai King Fai, Francis – *Chief Financial Officer*	4/4	1/1
Non-executive Directors		
Mr Kwok Man Leung	4/4	0/1
Mr Yin Ke	3/4	0/1
Mr Fei Yiping	3/4	0/1
Independent Non-executive Directors		
Mr Cheung Kin Piu, Valiant	4/4	1/1
Mr Hsu Hsung, Adolf	4/4	1/1
Professor Yeung Yue Man	4/4	1/1

Notes:

1. Mr Hui Ying Bun was re-designated as non-executive Chairman with effect from 1 January 2012.

2. Mr Chu Hon Fai retired with effect from 1 January 2012.

Chairman and Chief Executive Officer

Mr Hui Ying Bun serves as the Chairman of the Company and Mr Yip Moon Tong as the Chief Executive Officer of the Company. They have separate defined responsibilities whereby the Chairman is primarily responsible for leadership and effective functioning of the Board, ensuring key issues are promptly addressed by the Board, as well as providing strategic direction of the Company. The Chief Executive Officer is responsible for the day-to-day management of the Company's business and the effective implementation of corporate strategy and policies.

Their respective roles and responsibilities are set out in writing, which have been approved and adopted by the Board.

CORPORATE GOVERNANCE

BOARD COMMITTEES

The Board has established a number of committees to discharge the Board functions. Sufficient resources are provided to enable the Board committees to undertake their specific roles. The respective role, responsibilities and activities of each Board committee are set out below:

Remuneration Committee

The principal role of the remuneration committee is to determine and review the remuneration packages of individual executive directors and senior management, including salaries, bonuses, benefits in kind, share options and other plans. The remuneration committee reviews and approves the management's remuneration proposals with reference to the Board's corporate goals and objectives and considers salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group, so as to align management incentives with shareholder interests.

The committee currently comprises three independent non-executive directors and a non-executive director. The chairman of the committee is Mr Hsu Hsung, Adolf, an independent non-executive director. The general manager of the Group Human Resources & Administration Department of the Company serves as the secretary of the committee and minutes of the meetings are sent to the committee members within a reasonable time after the meetings. The remuneration committee considered and recommended amendments to its terms of reference taking into account the new code provisions, which was approved by the Board on 1 March 2012. The revised full terms of reference setting out the committee's authority and its main role and responsibilities are available on the Company's website (http://www.dch.com.hk/english/about_dch/corporate_governance/governance_remun/index.php) and the Stock Exchange's website.

The composition of the remuneration committee during the year as well as the meeting attendance are as follows:

Membership and Attendance	
Members	**Attendance / Number of Meeting**
Independent Non-executive Directors	
Mr Hsu Hsung, Adolf – *Chairman*	1/1
Mr Cheung Kin Piu, Valiant	1/1
Professor Yeung Yue Man	1/1
Non-executive Director	
Mr Kwok Man Leung	1/1

Work Done in 2011

The remuneration committee reviewed the remuneration policies and approved the salaries and bonuses of the executive directors and senior management. No director took part in any discussion about his own remuneration. The remuneration committee had communicated with the chairman about proposals relating to the remuneration packages of other executive directors and senior management.

Details of the Company's remuneration policies are set out in the Human Resources section on pages 30 to 31 and directors' emoluments and retirement benefits are disclosed on pages 115 to 116 and pages 137 to 139, respectively. Details of the Pre-IPO Option Scheme and the Post-IPO Option Scheme and the movement of the share options during the year 2011 are disclosed on pages 68 to 72.

Audit Committee

The audit committee reviews financial information of the Company, monitors the effectiveness of the external audit process and oversees the appointment, remuneration and terms of engagement of the Company's external auditor, as well as their independence. The audit committee is also responsible for reviewing the financial reporting process and the systems of internal controls and risk management, including the Group's internal audit function as well as arrangements for concerns raised by staff as to financial reporting and other relevant matters (whistle blowing). On 1 March 2012 the Board delegated certain corporate governance functions to the audit committee, including, (a) the development and review of the Group's policies and practices on corporate governance and making of recommendations to the Board; (b) the review and monitoring of (i) the training and continuous professional development of directors and senior management; (ii) the Group's policies and practices on compliance with legal and regulatory requirements; (iii) the Group's code of conduct; (iv) the Group's whistle blowing policy and system; and (c) review of the Company's compliance with the Code and disclosure in the Corporate Governance Report. The revised full terms of reference setting out the committee's authority and its main role and responsibilities are available on the Company's website (http://www.dch.com.hk/english/about_dch/corporate_governance/governance_audit/index.php) and the Stock Exchange's website. The committee reviews the terms of reference annually to ensure they continue to be in line with the requirements of the Code. Proposed amendments to the terms of reference are submitted to the Board for approval.

The audit committee consists of three independent non-executive members. The chairman of the committee is Mr Cheung Kin Piu, Valiant, who has appropriate professional qualifications and expertise in accounting matters. The company secretary acts as secretary to the committee. Sufficient resources are made available to the committee when required.

The audit committee meets at least twice a year. The Chief Financial Officer and the external and internal auditors attend the meetings, take part in the discussions and answer questions from the committee members. By invitation of the audit committee, other directors and senior executives may also attend the meetings. The audit committee chairman and other committee members also meet in separate private sessions with each of the external auditor, the internal auditor and management once a year.

The audit committee held four meetings in 2011 with full attendance by the committee members in person or by telephone. An agenda and accompanying committee papers were sent to the committee members at least three days prior to each meeting. The company secretary prepared full minutes of the audit committee meetings with details of discussions and decisions reached. The draft minutes were sent to all committee members for comment within a reasonable time after each meeting.

The composition of the audit committee membership during the year as well as the meeting attendance are as follows:

Membership and Attendance	
Members	**Attendance / Number of Meetings**
Independent Non-executive Directors	
Mr Cheung Kin Piu, Valiant – *Chairman*	4/4
Mr Hsu Hsung, Adolf	4/4
Professor Yeung Yue Man	4/4

CORPORATE GOVERNANCE

Work Done in 2011

During 2011, the audit committee discussed with the external auditor their independence and the nature and scope of the audit; reviewed the interim and annual financial statements, particularly judgmental areas, before submission to the Board; reviewed the internal control system and the internal audit plan, findings and management's response. The audit committee recommended the Board to adopt the interim and annual reports for 2011.

On 28 February 2012, the audit committee considered the proposed amendments to its terms of reference to take into account the new code provisions which will take effect from 1 April 2012 and recommended adoption by the Board.

Nomination Committee

The Board established a nomination committee on 1 March 2012. The full terms of reference are available on the Company's website (http://www.dch.com.hk/english/about_dch/corporate_governance/governance_nomination/index.php) and the Stock Exchange's website.

The nomination committee is authorised by the Board to determine the policy for the nomination of directors, to set out the nomination procedures and the process and criteria adopted to select and recommend candidates for directorship.

The nomination committee comprises five members, a majority of whom are independent non-executive directors and is chaired by the Chairman of the Board. The members are:

Non-executive Directors

Mr Hui Ying Bun *(Chairman)*
Mr Kwok Man Leung

Independent Non-executive Directors

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

As the nomination committee was formed in March 2012, no meeting has yet been held.

Finance Committee

The Board established a finance committee on 14 December 2007. The finance committee is delegated the powers of the Company to establish or renew financial and credit facilities and undertake financial and credit transactions.

The finance committee currently comprises six executive directors. Work done by the finance committee in 2011 primarily related to approving new banking facilities, renewal of banking facilities, undertakings, guarantees and other commitments with financial impact to the Group.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board recognises the importance of integrity of financial information and acknowledges its responsibility for preparing financial statements that give a true and fair view of the Group's affairs and of its results and cash flows in accordance with Hong Kong Financial Reporting Standards and the Companies Ordinance (Chapter 32 of the laws of Hong Kong) (the "Companies Ordinance"). The Board endeavours to present to shareholders a balanced and understandable assessment of the Group's performance, position and prospects. Accordingly, appropriate accounting policies are selected and applied consistently, and judgments and estimates made by the management for financial reporting purpose are prudent and reasonable.

The adoption of relevant new or amended accounting standards that became effective during the year has no significant impact on the accounts except for the early adoption of the amendments to HKAS 12 disclosed in Note 1(b) on pages 89 to 90.

The responsibilities of the external auditor with respect to the accounts for the year ended 31 December 2011 are set out in the Independent Auditor's Report on page 78.

External Auditors and their Remuneration

The external auditors perform independent review or audit of the financial statements prepared by the management. KPMG has been engaged as the Company's external auditor for over 30 years.

To promote the external auditor's independence, the audit engagement partner responsible for the audit of the Company is changed every seven years. The current audit partner was first appointed to audit the 2009 accounts.

For the year ended 31 December 2011, the fees charged to the financial statements of the Group in respect of KPMG's statutory audit amounted to approximately HK$17.6 million. In addition, approximately HK$12.5 million was charged for other services, including completion audit for acquisitions, interim review, tax services, audit of retirement plans and other special audit. The fees of recurring audit services of subsidiaries performed by other auditors amounted to approximately HK$4.1 million and the fees of provision of other services were approximately HK$1.2 million.

Internal Controls

The Board has overall responsibility for maintaining a sound and effective system of internal control which is designed and operated to provide reasonable assurance that the Company's business objectives in the following areas are achieved:

- effectiveness and efficiency of operations, including the achievement of performance and operating targets and the safeguarding of assets by the management;
- reliability of financial and operating information provided by the management, including management accounts and statutory and public financial reports; and
- compliance with applicable laws and regulations by each business unit.

CORPORATE GOVERNANCE

The Company has put and continues to place, considerable emphasis on maintaining and enhancing the effectiveness of its system of internal control, which include the following major components:

1. Overall control environment, including code of conduct governing staff conduct within the Group, and whistle blowing policy (discussed further on page 44);

2. Management of financial and non-financial risks, including at the Company level the risk management functions of the Board; at the business unit level management's ongoing monitoring of operational and other risks; and throughout the Group, submissions and reviews of risk assessment reports, as well as a variety of insurance arrangements to manage insurable risks;

3. Major controls systems and processes, including budgetary and cost controls, financial reporting systems and processes for timely and quality management reporting, and corporate policies and procedures for approvals, reviews and segregation of duties in everyday activities; and

4. Ongoing compliance monitoring and internal control reviews: the company secretary undertakes overall monitoring of compliance with the Listing Rules. Internal audit reports directly to the audit committee and is engaged to conduct independent reviews on the internal controls and risk management.

The audit committee has reviewed the adequacy and effectiveness of the Company's internal controls, including financial, operational and compliance controls and risk management. It has also considered the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting functions and their training programme and budget.

In conducting these reviews, the following reports and activities are considered:

- self-assessments made by management of various business units and subsidiaries of their material controls and risk management activities undertaken with reference to the COSO (The Committee of Sponsoring Organizations of the Treadway Commission) internal control framework. The documentation supporting the self assessments is subjected to review by internal audit. The results of the self assessments were consolidated and reviewed by the audit committee.

- reports of internal audit undertaken in accordance with the annual internal audit plan approved by the audit committee, which reviews the audit findings, recommendations, management's response and remedial actions at each committee meeting and reports to the Board on such reviews where appropriate; and

- self assessments made by business units and group finance of the resources, qualifications and experience of staff of the accounting and financial reporting functions and their training programmes. The main conclusions are that:

  – the resources in the accounting and finance functions are adequate;

  – the qualifications and experience of the staff of the accounting and finance functions are satisfactory overall; and

  – the training activities and budgets have been continually given considerable attention during the year and are satisfactory.

The Board and management will continue to look into opportunities for further enhancing the effectiveness of the internal control system of the Company in the years ahead, including the proposed new changes to the integrated framework of internal control as recently announced by COSO.

Internal Audit

The Group has continued to engage the Group Internal Audit Department ("Internal Audit Department") of CITIC Pacific to perform internal audits for the Group. The Internal Audit Department performs independent internal audit reviews for all business units and functions in the Group on a systematic and ongoing basis. The frequency of review of individual business unit or function is determined after an assessment of the risks involved. The audit committee endorses the internal audit plan annually. The Internal Audit Department has unrestricted access to all parts of the business, and direct access to any level of management including the Chairman of the Company and the chairman of the audit committee as it considers necessary. It submits regular reports for the audit committee's review in accordance with the approved internal audit plan. Concerns which have been reported by the Internal Audit Department are monitored by management by taking appropriate remedial actions.

CORPORATE GOVERNANCE

BUSINESS ETHICS

Code of Conduct

We consider ethical corporate culture and employees' honesty and integrity our important assets. We endeavour to comply with the laws and regulations of the countries in which we operate and all directors and employees are required to act responsibly to ensure that the reputation of the Company is not tarnished. To uphold a high standard of integrity in all aspects of everyday activities, the Company adopts a Code of Conduct which provides employees with a set of defined ethical standards for adherence. The Code of Conduct is posted on the Company's intranet for reference by all staff. New employees are briefed on the rules and standards set out in the Code of Conduct on joining the Company, and are required to acknowledge their understanding of the Code of Conduct. The heads of business units are charged with the responsibility of disseminating the Code of Conduct requirements to the staff concerned, and are required to report the compliance status of the Code of Conduct on a bi-annual basis to the head of Group Human Resources & Administration Department. The audit committee receives reports on the execution of the Code of Conduct and its compliance at least once a year and where necessary, recommendations were made to the Board and management for implementation.

Whistle blowing policy

The Company considers the whistle blowing channels as useful means of identifying possible misconduct or fraud risks of a particular operation or function by encouraging employees to raise concerns in good faith. The Company has adopted a whistle blowing policy setting out principles and procedures for guiding the directors and employees of the Group in reporting cases of fraud, corruption or misconduct in a fair and proper manner.

According to the whistle-blowing policy, concerns can be raised to the department head of any one of the departments (i) Corporate Planning and Management, (ii) Group Human Resources, (iii) Group Finance. Upon receipt of the report, representatives from the above departments will be nominated to form a review committee which will directly report to the Chairman. One whistle-blowing case was reported during 2011 which has been investigated and concluded.

Good Employment Practices

In Hong Kong, the Company has broadly followed the guide to good employment practices issued by the Employers' Federation of Hong Kong to ensure legal compliant, non-discriminatory and professional employment practices are implemented.

Directors' and Relevant Employees' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules. All directors confirmed that they have complied with the required standard set out in the Model Code throughout 2011. The interests held by individual directors in the Company's securities at 31 December 2011 are set out in the Report of the Directors on pages 73 to 75.

In addition to the requirements set out in the Company's Code of Conduct, the company secretary regularly writes to executive management and other relevant employees who are privy to unpublished price sensitive information, as reminders of their responsibility to comply with the provisions of the Model Code and keep the matter confidential until announced. They are also specifically reminded not to engage in any insider dealings as stipulated under Section 270 of the Securities and Futures Ordinance.

COMMUNICATION WITH SHAREHOLDERS

The Company considers effective communication with shareholders essential to enable them to have a clear assessment of the enterprise performance as well as accountability of the Board. Major means of communication with shareholders of the Company are as follows:

Information Disclosure on Corporate Website

The Company endeavours to disclose all material information about the Group to all interested parties as widely and as timely as possible. The Company maintains a corporate website at http://www.dch.com.hk where important information about the Company's activities and corporate matters such as annual reports and interim reports to shareholders, announcements, business development and operations, corporate governance practices and other information is available for review by shareholders and other stakeholders.

When announcements are made through the Stock Exchange, the same information is made available on the Company's website.

General Meetings with Shareholders

The Company's annual general meeting provides a useful platform for direct communication between the Board and shareholders. Separate resolutions are proposed on each substantially separate issue at the general meetings.

Voting by Poll

Save as provided under the Listing Rules, resolutions put to vote at the general meetings of the Company are taken by poll. Procedures regarding the conduct of the poll are explained to the shareholders at the commencement of each general meeting, and questions from shareholders regarding the voting procedures are answered. The poll results are posted on the websites of the Stock Exchange and the Company on the same day as the poll.

Investor Relations

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 addition, questions received from the general public and individual shareholders are answered promptly. In all cases, great care is taken to ensure that no price sensitive information is disclosed selectively.

CORPORATE GOVERNANCE

Shareholder Rights

Set out below is a summary of certain rights of the shareholders of the Company as required to be disclosed pursuant to the mandatory disclosure requirement under Paragraph O of the Corporate Governance Code which is effective from 1 April 2012:

Convening of extraordinary general meeting on requisition by shareholders

In accordance with Section 113 of the Companies Ordinance, shareholder(s) holding at the date of the deposit of the requisition not less than one-twentieth of such of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company, may require the directors of the Company to convene an extraordinary general meeting ("EGM"). The written requisition must state the objects of the meeting and must be signed by the shareholder(s) concerned and deposited at the registered office of the Company at 8th Floor, DCH Building, 20 Kai Cheung Road, Kowloon Bay, Hong Kong for the attention of the Company Secretary. The requisition may consist of several documents in like form, each signed by one or more of the shareholders concerned.

If the directors of the Company do not within 21 days from the date of the deposit of the requisition proceed duly to convene an EGM for a day not more than 28 days after the date on which the notice convening the EGM is given, the shareholder(s) concerned, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM, provided that the EGM so convened shall not be held after the expiration of 3 months from the said date.

The EGM convened by shareholders shall be convened in the same manner, as nearly as possible, as that in which general meetings are to be convened by the directors of the Company.

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board of the Company in writing through the Investor Relations Department whose contact details are as follows:

Investor Relations Department
Dah Chong Hong Holdings Limited
8th Floor, DCH Building, 20 Kai Cheung Road, Kowloon Bay, Hong Kong
Email: ir@ir.dch.com.hk
Tel No.: +852 2768 3110
Fax No.: +852 2758 1117

The Investor Relations Department shall forward their enquiries and concerns to the Board and / or relevant board committees of the Company where appropriate, for them to answer.

Procedures for putting forward proposals at general meetings by shareholders

Shareholders are requested to follow section 115A of the Companies Ordinance for including a resolution at an annual general meeting ("AGM"). The requirements and procedures are set out below:

(i) Any number of shareholders representing not less than one-fortieth of the total voting rights of all shareholders having at the date of the requisition a right to vote at an AGM to which the requisition relates, or not less than 50 shareholders holding shares in the Company on which there has been paid up an average sum, per shareholder, of not less than HK$2,000, may submit a requisition in writing to put forward a resolution which may properly be moved and is intended to be moved at an AGM.

(ii) The Company shall not be bound by the Companies Ordinance to give notice of the proposed resolution or to circulate a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution to shareholders of the Company entitled to receive notice of an AGM unless (a) a copy of the requisition signed by the shareholders concerned (or 2 or more copies which between them contain the signatures of all the shareholders concerned) is deposited at the registered office of the Company at 8th Floor, DCH Building, 20 Kai Cheung Road, Kowloon Bay, Hong Kong for the attention of the Company Secretary not less than 6 weeks before an AGM in the case of a requisition requiring notice of a resolution and not less than 1 week before an AGM in the case of any other requisition; and (b) the concerned shareholders have deposited with the requisition a sum reasonably sufficient to meet the Company's expenses in giving effect thereto.

(iii) However if, after a copy of a requisition requiring notice of a resolution has been deposited at the registered office of the Company, an AGM is called for a date 6 weeks or less after the copy has been deposited, the copy though not deposited within the time required as referred to in the above shall be deemed to have been properly deposited.

Subject to shareholders' approval in the annual general meeting to be held on 16 May 2012, Article 108 of the Company's New Articles of Association will be amended so that no person (other than a retiring director) shall, unless recommended by the Board for election, be eligible for election to the office of director at any general meeting, unless a shareholder shall have given a notice in writing of the intention to propose that person for election as a director and also a notice in writing by that person of his willingness to be elected shall have been given to the Company in the period commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, provided that such period shall be at least seven days. The written notice must state that person's biographical details as required by Rule 13.51(2) of the Listing Rules.

NON-COMPETITION UNDERTAKING

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 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 Telecom International Holdings Limited ("CITIC Telecom"), a fellow subsidiary of the Company, 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 Telecom, the Company and their respective subsidiaries) and advised that during the year 2011, 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 complied with the terms of the non-competition undertaking.

DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE CHAIRMAN

Hui Ying Bun

Aged 65, a Non-executive Director since January 2012. Mr Hui became an Executive Director of the Company on 18 July 2007 and the Chairman of the Company on 30 July 2007, and re-designated as a Non-executive Director of the Company on 1 January 2012. 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 Dah Chong Hong Holdings Group (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.

EXECUTIVE DIRECTORS

Yip Moon Tong *Chief Executive Officer*

Aged 59, an Executive Director since July 2007, is the Chief Executive Officer of the Company. 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 the Hong Kong Government for 16 years. After leaving the 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 63, an Executive 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 and MAN 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 58, an Executive Director since July 2007. Mr Lau is the Executive-in-charge of the motor dealership development and operation in the PRC, currently managing over 50 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, Taiwan 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 63, an Executive 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 59, an Executive 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 listed on The Stock Exchange of Hong Kong Limited (the "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. In total, Mr Smith has over 30 years experience in the marketing and distribution of fast moving consumer goods. He is a past chairman and current director of GS1 (Hong Kong), a member of GS1 the global supply chain management organization.

Wai King Fai, Francis *Chief Financial Officer*

Aged 52, an Executive 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, financial management and investors relation functions of the Group. He joined Dah Chong Hong 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.

NON-EXECUTIVE DIRECTORS

Kwok Man Leung

Aged 43, a Non-executive Director since July 2007. Mr Kwok is a Chartered Financial Analyst. He is an executive director of CITIC Pacific. He is also a director of CITIC Pacific China Holdings Limited, New Hong Kong Tunnel Company Limited and certain member companies of CITIC Pacific involved in special steel and property projects in the PRC. He has been appointed as a director of Daye Special Steel Co., Ltd. (a fellow subsidiary of the Company listed on the Shenzhen Stock Exchange) with effect from 13 April 2011. He was formerly a non-executive director of CITIC Telecom International Holdings Limited ("CITIC Telecom", a fellow subsidiary of the Company listed on the Stock Exchange) until November 2010.

Yin Ke

Aged 48, a Non-executive Director since January 2010. Mr Yin is the chief executive officer, executive director and vice chairman of CITIC Securities International Company Limited, an executive director and vice chairman of CITIC Securities Company Limited (listed on the Shanghai Stock Exchange and the Stock Exchange), a non-executive director of CITIC Pacific and Hui Xian Asset Management Limited (the manager of Hui Xian Real Estate Investment Trust which was listed on the Stock Exchange in April 2011). He has been appointed as a director of Hui Xian Investment Limited and Beijing Oriental Plaza Co., Ltd. with effect from 29 April 2011 and 5 August 2011 respectively. He was a non-executive director of Zhongxing Shenyang Commercial Building Group Co., Ltd. (listed on the Shenzhen Stock Exchange) and resigned as a non-executive director of CITIC Dameng Holdings Limited (listed on the Stock Exchange) with effect from 25 August 2011.

DIRECTORS AND SENIOR MANAGEMENT

Fei Yiping

Aged 48, a Non-executive 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, a non-executive director of CITIC Telecom and a director of CITIC Guoan Co., Ltd. He has over 12 years experience in accounting and financial management before joining the Company. He has been with CITIC Group Corporation ("CG", formerly known as CITIC Group and 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 CG in New York. When he returned to China in 2008, he became deputy director-general of the finance department of CG.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Cheung Kin Piu, Valiant

Aged 66, an Independent Non-executive 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 March 2001. Mr Cheung has extensive experience in assurance and corporate finance work particularly in trading and manufacturing corporations in Hong Kong and the PRC. He is a fellow member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants. Mr Cheung is currently an independent non-executive director of Pacific Century Premium Developments Limited, The Bank of East Asia, Limited and Vitasoy International Holdings Limited, all listed on the Stock Exchange. He is also an independent non-executive director of The Bank of East Asia (China) Limited, which is a wholly-owned PRC subsidiary of The Bank of East Asia, Limited.

Hsu Hsung, Adolf

Aged 73, an Independent Non-executive Director since September 2007. Mr Hsu also serves as chairman of the Remuneration Committee of the Company. Mr Hsu spent over 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 managing director of New World First Holdings Limited, the holding company that wholly owns, inter alia, New World First Ferry Services Limited, New World First Ferry (Macau) Services Limited and New World First Bus Service (China) Limited. He was formerly an executive director of Kwoon Chung Bus Holdings Limited and an independent non-executive director of Bel Global Resources Holdings Limited, both listed on the Stock Exchange, and a non-executive director of New World Services Limited (now known as NWS Service Management Limited). Mr Hsu is a fellow member of the Hong Kong Institute of Directors (FHKIoD) and a fellow member of the Chartered Institute of Logistics and Transport (FCILT).

Yeung Yue Man

Aged 73, an Independent Non-executive Director since September 2007. Professor Yeung is Emeritus Professor of Geography and Resources Management 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 a member of the Commission on Strategic Development of The Government of the Hong Kong Special Administrative Region, and is presently the chairman of the Pan-Pearl River Delta Panel under the Central Policy Unit.

SENIOR MANAGEMENT

Kuk Tai Wai, David

Aged 60, 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 over 30 years of experience in logistics operations.

Wong Siu Fat, Ringo

Aged 49, is the Director, Manufacturing Division of the Group and is primarily responsible for managing the electrical appliances manufacturing facilities in Shunde, the PRC. 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 electrical appliances industry.

Got Chong Key, Clevin

Aged 53, is the Managing Director of Premium Motors Limited and is primarily responsible for the management of the Audi distributorship. Mr Got joined the Group in January 1999. He has more than 20 years experience in the motor industry.

Lee Tak Wah

Aged 47, is the Managing Director of Dah Chong Hong (Motor Service Centre) Limited and is primarily responsible for the management of the motor aftersale services, motor related business as well as the Nissan distributorship. Mr Lee joined the Group in June 1999. He has more than 20 years experience in the motor industry.

Ho Ming Kei, Wayne

Aged 51, 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 Ming Yin

Aged 50, is the Director and General Manager of Dah Chong Hong Motors (China) Limited and is primarily responsible for the development and management of our city dealerships for motor vehicles in the PRC. Mr Wong joined the Group in July 1998 and has more than 25 years experience in the motor industry.

Hui Kwong Lok

Aged 55, 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.

DIRECTORS AND SENIOR MANAGEMENT

Yan Mengying

Aged 63, is the Managing Director of Dah Chong Hong (China) Limited based in Shanghai, the PRC 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 CITIC Pacific Group in July 1997 and was then transferred to the Group in May 2000. Ms Yan has over 40 years of experience in planning and business management.

Wong Hoi Ming, Alan

Aged 58, 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 human resources and administration management.

Chau Wai Man

Aged 57, 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 30 years experience in IT management, IT consulting, system development and maintenance.

REPORT OF THE DIRECTORS

The board (the "Board") of directors (the "Directors") of Dah Chong Hong Holdings Limited (the "Company") have pleasure in presenting to shareholders their report for the year ended 31 December 2011.

PRINCIPAL PLACE OF BUSINESS

The Company is incorporated and domiciled in Hong Kong and has its registered office 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 Greater China.

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 14.30 HK cents (2010: 10.68 HK cents) per share in respect of the year ended 31 December 2011 which was paid on 21 September 2011. The Directors recommended, subject to the approval of the shareholders at the forthcoming annual general meeting of the Company, the payment of a final dividend of 12.74 HK cents (2010: 12.77 HK cents) per share in respect of the year ended 31 December 2011 payable on 4 June 2012 to shareholders on the Register of Members at the close of business on 24 May 2012.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2011 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 79 to 162.

TRANSFER TO RESERVES

The amounts and particulars of transfer to 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$3.2 million (2010: HK$2.4 million).

FIXED ASSETS

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

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

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

	Percentage of the Group's Total Purchases	
	2011	2010
The largest supplier	**13.4%**	17.1%
Five largest suppliers in aggregate	**44.8%**	48.5%

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 the above suppliers and customers.

BORROWINGS

Particulars of borrowings of the Company and the Group as at 31 December 2011 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:

Executive Directors
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
Mr Chu Hon Fai (retired with effect from 1 January 2012)

Non-executive Directors
Mr Hui Ying Bun (re-designated from executive Director to non-executive Director with effect from 1 January 2012)
Mr Kwok Man Leung
Mr Yin Ke
Mr Fei Yiping

Independent non-executive Directors
Mr Cheung Kin Piu, Valiant
Mr Hsu Hsung, Adolf
Professor Yeung Yue Man

Biographical details of the Directors of the Company are set out on pages 48 to 50 of the 2011 Annual Report of the Company.

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 the Company still considers such directors to be independent.

In accordance with Article 104(A) of the New Articles of Association of the Company, Messrs Hui Ying Bun, Lau Sei Keung, Tsoi Tai Kwan, Arthur, Yin Ke and Fei Yiping shall retire by rotation from the Board at the forthcoming annual general meeting of the Company and, all being eligible, offer themselves for re-election.

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

The Company entered into an administrative services agreement with CITIC Pacific Limited ("CITIC Pacific", a 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 the above services for the year ended 31 December 2011 were HK$8.6 million (2010: HK$7.9 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 "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 Telecom International Holdings Limited (a fellow subsidiary of the Company), 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 claims, defects in titles of properties, leakage of assets resulting from the contractual arrangements 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 licences and permits. No claim has been made by the Group against CITIC Pacific pursuant to the indemnity since 28 September 2007.

Apart from the above and the transactions as mentioned in items 1 to 3 and 5 of the section of "Continuing Connected Transactions", none of the Company or any of its subsidiaries has entered into any other contract of significance with the Company's controlling shareholders or their subsidiaries which were subsisting during the financial year ended 31 December 2011.

REPORT OF THE DIRECTORS

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.

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 summarised below.

CONNECTED TRANSACTIONS

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

On 8 November 2011, Delight Star Enterprises Limited ("DSE", an indirect wholly-owned subsidiary of the Company) entered into a sale and purchase agreement (the "Sale and Purchase Agreement") with Denker Investment Limited ("DIL") to purchase from DIL 49% equity interest in Smart Joint Investment Limited ("Smart Joint") and 50% equity interest in each of Power Success Management Limited ("Power Success") and Smartways Limited ("Smartways") (Smart Joint, Power Success and Smartways, collectively, the "Target Group"), together with the related shareholders' loans, for a total consideration of HK$198,646,000 ("Acquisition"). The Company and Mr Mak Hing Lung ("Mr Mak"), the sole beneficiary of DIL, entered into the Sale and Purchase Agreement as DSE's guarantor and DIL's guarantor respectively. Details of the transactions contemplated under the Acquisition were disclosed in the Company's announcement dated 8 November 2011.

Smart Joint is the holding vehicle for the interest in the 4S business in the PRC and is engaged in the provision of vehicle / motorcycle sales, spare parts, maintenance services and customer survey services ("4S Business") in respect of the "Ferrari" brand and the "Maserati" brand in Guangzhou and Shenzhen. It is expected to expand to Xiamen after the completion of Acquisition ("Completion"). Power Success is the holding vehicle for the interest in the 4S Business in respect of the "GAC Toyota" brand in Guangzhou, the PRC. Smartways is expected to be the holding vehicle for the interest in the distributorship of the "Ducati" brand in the PRC and Macao after Completion.

Upon Completion, DSE holds 49% of the entire issued share capital of Smart Joint and 50% of the entire issued share capital of each of Power Success and Smartways, together with the related shareholders' loans in the amount of approximately HK$37.8 million. As DSE has 50% voting rights in the Target Group and an overriding casting vote which could be exercised by DSE at the meetings of the board of directors of Target Group, the Target Group and their respective subsidiaries are accounted for as indirect non-wholly owned subsidiaries of the Company after Completion under current accounting standards.

As Mr Mak (via DIL or otherwise) is a substantial shareholder of and Mr Mak himself is a director of certain subsidiaries of the Company, both DIL and Mr Mak are connected persons of the Company. The Acquisition therefore constituted a connected transaction for the Company under the Listing Rules.

For guarantee and indemnity arrangement under the Acquisition, please refer to "The guarantee arrangement in respect of a revolving bank acceptance draft facility of up to RMB30,000,000 granted by China CITIC Bank to 廣州駿龍汽車有限公司 (Guangzhou Junlong Motors Limited) ("Guangzhou Junlong")" under the section headed "Continuing Connected Transactions" below.

CONTINUING CONNECTED TRANSACTIONS

During 2011, the Group has entered into the following continuing connected transactions which constituted non-exempt continuing connected transactions subject only to the announcement, reporting and annual review requirements under Chapter 14A of the Listing Rules.

1. 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:			
1.4.2009	7/F–12/F and 16/F, CITIC Telecom Tower, 93 Kwai Fuk Road, Kwai Chung, New Territories, Hong Kong *(Note)*	HK$524,860.00	1.6.2009 – 31.5.2012
1.4.2009	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	HK$864,526.50	1.6.2009 – 31.5.2012
1.4.2009	Factory Unit A (also known as Factory Unit 1) on G/F (including loading and unloading platform) and Car Parking Space No. 112 on G/F of Tsuen Wan Industrial Centre, 220–248 Texaco Road, Tsuen Wan, New Territories, Hong Kong	HK$203,968.00	1.6.2009 – 31.5.2012
1.4.2009	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	HK$685,995.85	1.6.2009 – 31.5.2012
1.4.2009	DCH Building, No. 20 Kai Cheung Road, Kowloon, Hong Kong	HK$4,902,959.50	1.6.2009 – 31.5.2012
Tenancy in the PRC:			
2.1.2009	Units 1102–1105, 11th Floor, CITIC Square, 1168 Nanjing West Road, Shanghai, the PRC	RMB217,357.04	15.1.2009 – 14.1.2012

Note: 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 CITIC Telecom Tower of HK$449,880. In respect of the tenancy for 16th Floor of CITIC Telecom Tower, 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 and was extended to 31 August 2011 at a monthly rental of HK$74,980.

REPORT OF THE DIRECTORS

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 the financial years ended 31 December 2011 and ending 31 December 2012 is 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 approximately HK$91.2 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 the financial year ended 31 December 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 approximately RMB2.608 million which did not exceed the capped amount.

2. Pre-existing tenancy agreement between Dah Chong Hong, Limited ("DCHL") and CITIC Bank International Limited ("CITIC Bank")

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

DCHL is a wholly-owned subsidiary of the Company. CITIC Bank is a non-wholly owned subsidiary of CITIC Group Corporation ("CG", formerly known as CITIC Group). CG became the ultimate holding company of CITIC Pacific on 24 December 2008, which in turn is a controlling shareholder of the Company. Therefore, CG is a substantial shareholder and a connected person of the Company. By virtue of being an associate of CG, CITIC Bank is a connected person of the Company.

Therefore, the above pre-existing tenancy agreement with a term of three years 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 caps for each of the financial years ended 31 December 2011 and ending 31 December 2012 are HK$3.216 million.

The aggregate rental received by DCHL from CITIC Bank under the above pre-existing tenancy agreement during the year was HK$3.216 million which did not exceed the capped amount.

3. The guarantee arrangement in respect of a revolving bank acceptance draft facility of up to RMB40,000,000 granted by 中信銀行股份有限公司 (China CITIC Bank Corporation Limited) ("China CITIC Bank") to 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")

On 23 December 2010, Guangzhou Guangbao (a company in which the Company has 50% economic interest and accounted for as a non-wholly owned subsidiary of the Company) agreed to provide a pledge of motor vehicles in favour of China CITIC Bank to secure the granting of a revolving facility of up to RMB40,000,000 (approximately HK$46,800,000) (the "RMB40M Bank Acceptance Draft Facility") in its favour. The RMB40M Bank Acceptance Draft Facility had a term of one year from 1 January 2011 to 31 December 2011, under which China CITIC Bank would, 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 was also required to maintain a cash balance of up to 20% of the maximum amount of the RMB40M Bank Acceptance Draft Facility in a specified repayment account held with China CITIC Bank. The bank acceptance drafts were repaid through the repayment account after the motor vehicles have been sold. DSE had provided a back-to-back indemnity in favour of Mr Mak to cover 50% of Mr Mak's exposure under a guarantee provided by Mr Mak in favour of China CITIC Bank, which represents 100% of the maximum amount of the RMB40M Bank Acceptance Draft Facility. Mr Mak is a substantial shareholder and director of various non-wholly owned subsidiaries of the Company (including Guangzhou Guangbao).

China CITIC Bank is a non-wholly owned subsidiary of CG, the ultimate holding company of CITIC Pacific, which in turn is a controlling shareholder of the Company. China CITIC Bank is therefore a connected person of the Company, and the RMB40M Bank Acceptance Draft Facility constituted a continuing connected transaction for the Company.

4. Cross-sales of vehicles between (i) each of 廣州駿佳凌志汽車銷售服務有限公司 (Guangzhou Junjia Lexus Motors Sale and Service Limited) ("GZ Junjia"), 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) ("Cixi Junjia") and 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) ("SH Junjia") and (ii) 佛山市駿領雷克薩斯汽車有限公司 (Foshan Junling Lexus Motors Limited) ("FS Junling")

On 18 May 2010, GZ Junjia, Cixi Junjia, SH Junjia (companies accounted for as non-wholly owned subsidiaries of the Company) and FS Junling (collectively, "the Dealers"), all being vehicle dealers of a common motor vehicle manufacturer ("Lexus"), entered into inventory cross-sales agreements with one another to facilitate the on-sale of vehicles to one another's customers from time to time during the respective term of the agreements.

REPORT OF THE DIRECTORS

(a) *Inventory cross-sales agreement entered into between GZ Junjia and FS Junling*

The agreement has a term of three years from 1 January 2010 to 31 December 2012 with (i) the annual cap for sales of vehicles by GZ Junjia to FS Junling for the financial years ended 31 December 2011 and ending 31 December 2012 of RMB50,000,000 respectively and (ii) the annual cap for purchase of vehicles by GZ Junjia from FS Junling for the financial years ended 31 December 2011 and ending 31 December 2012 of RMB50,000,000 respectively. This inventory cross-sales agreement superseded the inventory cross-sales agreement dated 29 June 2009 entered into between GZ Junjia and FS Junling (which ceased and determined with effect from 18 May 2010) and disclosed in the Company's announcement dated 29 June 2009. The aggregate amounts received by GZ Junjia from FS Junling in respect of sales of vehicles by GZ Junjia to FS Junling during the year was RMB3,563,590 and the aggregate amounts paid by GZ Junjia to FS Junling in respect of purchase of vehicles by GZ Junjia from FS Junling during the year was RMB1,666,863, both of which did not exceed the respective capped amounts.

(b) *Inventory cross-sales agreement entered into between Cixi Junjia and FS Junling*

The agreement has a term of two years and nine months from 1 April 2010 to 31 December 2012 with (i) the annual cap for sales of vehicles by Cixi Junjia to FS Junling for the financial years ended 31 December 2011 and ending 31 December 2012 of RMB50,000,000 respectively and (ii) the annual cap for purchase of vehicles by Cixi Junjia from FS Junling for the financial years ended 31 December 2011 and ending 31 December 2012 of RMB50,000,000 respectively. The aggregate amounts received by Cixi Junjia from FS Junling in respect of sales of vehicles by Cixi Junjia to FS Junling during the year was RMB18,536,692 and the aggregate amounts paid by Cixi Junjia to FS Junling in respect of purchase of vehicles by Cixi Junjia from FS Junling during the year was RMB8,571,453, both of which did not exceed the respective capped amounts.

(c) *Inventory cross-sales agreement entered into between SH Junjia and FS Junling*

The agreement has a term of two years and eight months from 1 May 2010 to 31 December 2012 with (i) the annual cap for sales of vehicles by SH Junjia to FS Junling for the financial years ended 31 December 2011 and ending 31 December 2012 of RMB50,000,000 respectively and (ii) the annual cap for purchase of vehicles by SH Junjia from FS Junling for the financial years ended 31 December 2011 and ending 31 December 2012 of RMB50,000,000 respectively. During the year, SH Junjia and FS Junling had not carried out any transaction contemplated under the agreement.

The Dealers are associates of a common connected person, namely Mr Mak who is a substantial shareholder and director of various non-wholly owned subsidiaries of the Company. FS Junling is also an associate of 佛山市南海雄峰汽車有限公司 (Foshan Nanhai Xiongfeng Motors Limited) which is a substantial shareholder of GZ Junjia. As such, FS Junling is a connected person of the Company and the abovementioned transactions of cross-sales of vehicles constituted continuing connected transactions of the Company. Please also refer to the joint announcements of the Company and CITIC Pacific dated 18 May 2010 and 29 December 2010.

5. The guarantee arrangement in respect of a revolving bank acceptance draft facility of up to RMB30,000,000 granted by China CITIC Bank to 廣州駿龍汽車有限公司 (Guangzhou Junlong Motors Limited) ("Guangzhou Junlong")

As set out in the section above headed "Connected Transactions", the Company acquired 50% equity interest in Power Success in November 2011 (the "Acquisition"). The remaining 50% is beneficially owned by Mr Mak. After the Acquisition, Power Success and its subsidiaries including Guangzhou Junlong are accounted for as non-wholly owned subsidiaries of the Company. As set out in the Company's announcement dated 8 November 2011, Guangzhou Junlong, which is engaged in the 4S Business in respect of the "GAC Toyota" brand in Guangzhou, the PRC, currently has a revolving facility of up to RMB30.0 million (equivalent to approximately HK$36.7 million) with China CITIC Bank with a term of one year expiring on 17 June 2012. Under such facility, China CITIC Bank will, on request, issue bank acceptance drafts for Guangzhou Junlong to purchase motor vehicles in its ordinary and usual course of business.

To secure such facility, (i) Guangzhou Junlong will be required to maintain a cash balance of up to 20% of the maximum amount of the facility in a specified repayment account held with China CITIC Bank. Any bank acceptance drafts will be repaid through the repayment account after the motor vehicles have been sold; (ii) Guangzhou Junlong is further required to provide a pledge of motor vehicles in favour of China CITIC Bank to secure any outstanding sum under the facility from time to time; and (iii) a guarantee by Mr Mak has been provided in the amount of RMB30.0 million (equivalent to approximately HK$36.7 million).

China CITIC Bank is a non-wholly owned subsidiary of CG, the ultimate holding company of CITIC Pacific, which in turn is a controlling shareholder of the Company. China CITIC Bank is therefore a connected person of the Company. As such, the said facility constituted a continuing connected transaction for the Company upon completion of the Acquisition described above.

DSE has provided a back-to-back indemnity in favour of Mr Mak for an amount of RMB15.0 million (equivalent to approximately HK$18.3 million) in respect of 50% of Mr Mak's exposure under his guarantee in support of the facility described above.

REPORT OF THE DIRECTORS

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 Company's auditors were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Group in pages 57 to 61 of the 2011 Annual Report in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

CONTRACTUAL ARRANGEMENTS

The Group has been conducting its PRC operations in industries that are subject to foreign ownership restrictions through various companies incorporated in the PRC (the "OPCOs"), which are owned by persons with the legal capacity under PRC regulations to be shareholders (the "Registered Owners") for the benefit 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 2011 are set out below:

	Name of OPCO	Date of establishment of OPCO	Registered capital (Note xxv) 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 xxvi)	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)	20.5.2003	40 (Note i)	Dah Chong Hong Food (China) Limited (Note ii) (100%)	–	–	100%	Subsidiary
2	江門昌運油品有限公司 (Chang Yun Oil Products Co. Ltd.)	20.5.2003	21.76	張江長 (Zhang Jiangchang) (50%) 李世猷 (Li Shiyou) (Note iii) (50%)	10.88 10.88	Dah Chong Hong (China) Limited	100%	Subsidiary
3	上海大昌行經貿有限公司 (Shanghai Dah Chong Hong Trading Ltd.)	14.4.1998	12.5	上海大昌行食品工業有限公司 (Shanghai DCH Food Industries Ltd.) (Note iv) (100%)	–	–	100%	Subsidiary
4	上海大昌行儲運有限公司 (Shanghai Dah Chong Hong Storage and Transportation Limited)	27.5.2005	0.5	上海大昌行經貿有限公司 (Shanghai Dah Chong Hong Trading Ltd.) (80%) 上海大昌行食品工業有限公司 (Shanghai DCH Food Industries Ltd.) (Note v) (20%)	– –	–	100%	Subsidiary
5	上海大昌行國際貿易有限公司 (Dah Chong Hong International Shanghai Ltd.)	27.5.2005	5	上海大昌行經貿有限公司 (Shanghai Dah Chong Hong Trading Ltd.) (80%) 上海大昌行食品工業有限公司 (Shanghai DCH Food Industries Ltd.) (Note vi) (20%)	– –	–	100%	Subsidiary
6	上海上昌工貿有限公司 (Shanghai Shangchang Industry and Trading Limited)	26.12.2000	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.)	14.12.2000	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.)	4.4.1999	25 (Note vii)	Sims (China) Limited (Note viii) (100%)	–	–	100%	Subsidiary
9	江門慎昌貿易有限公司 (Sims Trading (Jiangmen) Company Limited)	20.5.2003	10	鄧建良 (Deng Jianliang) (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)	14.4.1997	100 (Note ix)	Triangle Motors (China) Limited (Note x) (100%)	–	–	100%	Subsidiary

REPORT OF THE DIRECTORS

	Name of OPCO	Date of establishment of OPCO	Registered capital (Note xxv) 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 xxvi)	Group's attributable interests	Subsidiary / Associate / Jointly controlled entity
11	寧波眾鈴汽車貿易有限公司 (Ningbo Zhongling Motors Trading Limited)	17.8.2000	12	上海眾鈴汽車銷售服務有限公司 (Shanghai Zhongling Motors Sale and Service Limited) (Note xi) (100%)	–	–	100%	Subsidiary
12	昆明合達汽車銷售服務有限公司 (Kunming Heda Motors Sale and Service Limited)	14.8.2001	50 (Note xii)	昆明合運汽車貿易有限公司 Kunming Heyun Motor Trading Co., Ltd. (Note xiii) (100%)	–	–	100%	Subsidiary
13	江門市寶昌汽車銷售服務有限公司 (Jiangmen Baochang Motors Sale and Service Limited)	16.4.2003	12	仲玉林 (Zhong Yulin) (50%) 蔡兆敏 (Cai Zhaomin) (50%)	6 6	Dah Chong Hong Motors (China) Limited	100%	Subsidiary
14	廣東駿現汽車貿易有限公司 (Guangdong Junxian Motors Trading Limited)	7.7.2004	10	程濟美 (Cheng Jimei) (20%) 仲玉林 (Zhong Yulin) (80%)	2 8	Dah Chong Hong Motors (China) Limited	100%	Subsidiary
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)	2.7.2003	6	蔡兆敏 (Cai Zhaomin) (50%) 仲玉林 (Zhong Yulin) (50%)	3 3	Dah Chong Hong Motors (China) Limited	100%	Subsidiary
16	湛江市駿誠汽車銷售服務有限公司 (Zhanjiang Juncheng Motors Sale and Service Limited)	16.12.2005	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
17	深圳市深昌汽車貿易有限公司 (Shenzhen Shenchang Motors Trading Limited) (Note xiv)	5.9.2003	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
18	廣州合駿汽車貿易有限公司 (Guangzhou Hejun Motors Trading Limited)	18.8.2000	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
19	湛江市駿浩汽車有限公司 (Zhanjiang Junhao Motors Limited)	18.4.2003	50 (Note xi)	Dah Chong Hong Motors (China) Limited (Note xvi) (100%)	–	–	100%	Subsidiary
20	廣東日產汽車貿易有限公司 (Guangdong Nissan Motors Trading Co., Ltd)	15.8.2000	10	王靜芬 (Wang Jingfen) (50%)	5	Dah Chong Hong Motors (Nissan-China) Limited	50%	Jointly controlled entity
21	福州合創汽車貿易有限公司 (Fuzhou Hechuang Motors Trading Limited)	21.4.2004	10	蔡兆敏 (Cai Zhaomin) (80%) 仲玉林 (Zhong Yulin) (20%)	8 2	Reliance Motors, Limited	100%	Subsidiary

	Name of OPCO	Date of establishment of OPCO	Registered capital (Note xxv) 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 xxvi)	Group's attributable interests	Subsidiary / Associate / Jointly controlled entity
22	江門大昌行供應鏈管理有限公司 (Jiangmen DCH Supply Chain Management Co., Ltd.)	14.3.2006	1	上海宏圖電器有限公司 (Shanghai Vision Electrical Appliances Co., Ltd.) (90%) 鄧建良 (Deng Jianliang) (10%)	0.9 0.1	DCH Supply Chain Management Company Limited	100%	Subsidiary
23	廣州賓利汽車貿易有限公司 (Bentley Guangzhou Motor Trading Limited)	22.10.2007	10	上海賓利汽車銷售有限公司 (Bentley Shanghai Motor Sales Ltd.) (Note xvii) (100%)	–	–	100%	Subsidiary
24	佛山駿安豐田汽車銷售服務有限公司 (Foshan Junan Toyota Motors Sale and Service Limited)	7.8.2007	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 xviii)	Subsidiary
25	廣州駿佳凌志汽車銷售服務有限公司 (Guangzhou Junjia Lexus Motors Sale and Service Limited)	24.3.2004	30 (Note xix)	廣州駿安貿易有限公司 (Guangzhou Junan Trading Limited) (Note xx) (55%)	16.5	Profit Paradise Investments Limited	27.5% (Note xxi)	Subsidiary
26	佛山駿安商貿有限公司 (Foshan Junan Trading Limited)	12.12.2008	0.5	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%)	0.005 –	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 xviii)	Subsidiary
27	深圳市深業豐田汽車銷售服務有限公司 (Shenzhen Shenye Toyota Motors Sale and Service Limited)	2.4.2001	20	深圳市深業實業有限公司 (Shenzhen Shenye Shiye Limited) (98%) 李晨迪 (Li Chendi) (2%)	– 0.4	深圳市深業實業有限公司 (Shenzhen Shenye Shiye Limited)	50% (Note xxii)	Subsidiary
28	深圳市興業豐田汽車銷售服務有限公司 (Shenzhen Xingye Toyota Motors Sale and Service Limited)	25.2.2009	10	深圳市深業實業有限公司 (Shenzhen Shenye Shiye Limited) (98%) 張國興 (Zhang Guoxing) (2%)	– 0.2	深圳市深業實業有限公司 (Shenzhen Shenye Shiye Limited)	50% (Note xxii)	Subsidiary
29	深圳市盛業汽車銷售服務有限公司 (Shenzhen Shengye Toyota Motors Sale and Service Limited)	12.1.2006	12	深圳市深業實業有限公司 (Shenzhen Shenye Shiye Limited) (98%) 張國興 (Zhang Guoxing) (2%)	– 0.24	深圳市深業實業有限公司 (Shenzhen Shenye Shiye Limited)	50% (Note xxii)	Subsidiary
30	梅州深業豐田汽車銷售服務有限公司 (Meizhou Shenye Toyota Motors Sale and Service Limited)	12.3.2007	10	深圳市深業實業有限公司 (Shenzhen Shenye Shiye Limited) (98%) 李浣樑 (Li Huanliang) (2%)	– 0.2	深圳市深業實業有限公司 (Shenzhen Shenye Shiye Limited)	50% (Note xxii)	Subsidiary

REPORT OF THE DIRECTORS

	Name of OPCO	Date of establishment of OPCO	Registered capital (Note xxv) 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 xxvi)	Group's attributable interests	Subsidiary / Associate / Jointly controlled entity
31	深圳深業雷克薩斯汽車銷售服務有限公司 (Shenzhen Shenye Lexus Motors Sale and Service Limited)	23.3.2010	30	深圳市深業實業有限公司 (Shenzhen Shenye Shiye Limited) (98%) 張國輿 (Zhang Guoxing) (2%)	– 0.6	深圳市深業實業有限公司 (Shenzhen Shenye Shiye Limited)	50% (Note xxii)	Subsidiary
32	九江深業豐田汽車銷售服務有限公司 (Jiujiang Shenye Toyota Motors Sale and Service Limited)	9.7.2010	10	深圳市深業實業有限公司 (Shenzhen Shenye Shiye Limited) (98%) 李晨迪 (Li Chendi) (2%)	– 0.2	深圳市深業實業有限公司 (Shenzhen Shenye Shiye Limited)	50% (Note xxii)	Subsidiary
33	深圳市慶鈴汽車貿易有限公司 (Shenzhen Qingling Motors Trading Limited)	18.2.2011	2	黃斐 (Huang Fei) (100%)	2	Triangle Motors (China) Limited	100%	Subsidiary
34	茂名市大昌行駿昇汽車銷售服務有限公司 (MaoMing Dah Chong Hong Junsheng Motors Sale and Service Limited)	14.3.2008	10	湛江市駿凱汽車技術服務有限公司 (Zhanjiang Junkai Motors Technology and Service Limited) (80%) 廣東日產汽車貿易有限公司 (Guangdong Nissan Motor Trading Co., Ltd) (20%) (Note xxiii)	– 0.002	湛江市駿凱汽車技術服務有限公司 (Zhanjiang Junkai Motors Technology and Service Limited)	90.01%	Subsidiary
35	曲靖聯慶汽車銷售服務有限公司 (Qujing Lianqing Motors Sale and Service Limited)	24.4.2009	12	雲南聯慶汽車銷售服務有限公司 (Yunnan Lianqing Motors Sale and Service Limited) (100%)	12	昆明大昌行管理咨詢有限公司 (Kunming Dah Chong Hong Management and Consulting Limited)	100%	Subsidiary
36	廣州市廣保汽車維修有限公司 (Guangzhou Guangbao Motor Service Station Limited)	5.7.2011	0.3	胡麗紅 (Hu Lihong) (100%)	0.3	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 xviii)	Subsidiary
37	上海駿新摩托車銷售服務有限公司 (Shanghai Junxin Motorcycle Sale and Service Limited)	29.10.2010	1 (Note xxiv)	李雪英 (Li Xueying) (100%)	1	上海駿佳摩托車銷售服務有限公司 (Shanghai Junjia Motorcycle Sale and Service Limited)	50% (Note xxi)	Subsidiary

Notes:

i. The registered capital was increased from RMB5 million to RMB40 million during the year.

ii. The Registered Owners were changed from 張江長 (Zhang Jiangchang) 90% and 嚴夢英 (Yan Mengying) 10% to Dah Chong Hong Food (China) Limited (100%) during the year. Since then, the Contractual Arrangements ceased to apply to this subsidiary as it was no longer an OPCO.

iii. 李世猷 (Li Shiyou) acquired 50% of equity contribution from a third party shareholder under the Contractual Arrangement during the year.

iv. The Registered Owners were changed from 王靜芬 (Wang Jingfen) 8% and 嚴夢英 (Yan Mengying) 4% to 上海大昌行食品工業有限公司 (Shanghai DCH Food Industries Ltd.) (12%) during the year. Since then, the Contractual Arrangements ceased to apply to this subsidiary as it was no longer an OPCO.

v. The Registered Owner was changed from 楊福祥 (Yang Fuxiang) 20% to 上海大昌行食品工業有限公司 (Shanghai DCH Food Industries Ltd.) (20%) during the year. Since then, the Contractual Arrangement ceased to apply to this subsidiary as it was no longer an OPCO.

vi. The Registered Owner was changed from 楊福祥 (Yang Fuxiang) 20% to 上海大昌行食品工業有限公司 (Shanghai DCH Food Industries Ltd.) (20%) during the year. Since then, the Contractual Arrangement ceased to apply to this subsidiary as it was no longer an OPCO.

vii. The registered capital was increased from RMB4 million to RMB25 million during the year.

viii. The Registered Owners were changed from 江門慎昌貿易有限公司 (Sims Trading (Jiangman) Company Limited) 75.25% and 嚴夢英 (Yan Mengying) 24.75% to Sims (China) Limited (100%) during the year. Since then, the Contractual Arrangements ceased to apply to this subsidiary as it was no longer an OPCO.

ix. The registered capital was increased from RMB12 million to RMB100 million during the year.

x. The Registered Owners were changed from 沈學鋒 (Shen Xuefeng) 50% and 程濟美 (Cheng Jimei) 41.50% to Triangle Motors (China) Limited (91.5%) during the year. Since then, the Contractual Arrangements ceased to apply to this subsidiary as it was no longer an OPCO. Triangle Motors (China) Limited acquired 8.5% of equity contribution from 上海大昌行經貿有限公司 (Shanghai Dah Chong Hong Trading Ltd.) during the year.

xi. The Registered Owner was changed from 仲玉林 (Zhong Yulin) 33.33% to 上海眾鈴汽車銷售服務有限公司 (Shanghai Zhongling Motors Sale and Service Limited) (33.33%). Since then, the Contractual Arrangement ceased to apply to this subsidiary as it was no longer an OPCO.

xii. The registered capital was increased from RMB5 million to RMB50 million during the year.

xiii. Registered Owner was changed from 仲玉林 (Zhong Yulin) 40% to 深圳市眾運汽車貿易有限公司 (Shenzhen Zhongyun Motors Trading Limited) (40%) during the year. Since then, the Contractual Arrangement ceased to apply to this subsidiary as it was no longer an OPCO. 昆明合運汽車貿易有限公司 Kunming Heyun Motor Trading Co., Ltd. acquired 100% of equity contribution from 深圳市眾運汽車貿易有限公司 (Shenzhen Zhongyun Motors Trading Limited) during the year.

xiv. The company was dissolved during the year.

xv. The registered capital was increased from RMB5 million to RMB50 million during the year.

xvi. The Registered Owners were changed from 蔡兆敏 (Cai Zhaomin) 50% and 仲玉林 (Zhong Yulin) 50% to Dah Chong Hong Motors (China) Limited (100%) during the year. Since then, the Contractual Arrangements ceased to apply to this subsidiary as it was no longer an OPCO.

xvii. The Registered Owner was changed from 蔡兆敏 (Cai Zhaomin) 49% to 上海賓利汽車銷售有限公司 (Bentley Shanghai Motor Sales Ltd.) (49%) during the year. Since then, the Contractual Arrangement ceased to apply to this subsidiary as it was no longer an OPCO.

xviii. The Group holds 50% economic interest and has casting vote at shareholders' meetings of the company, and therefore the company is accounted for as a subsidiary of the Group.

xix. The registered capital was increased from RMB10 million to RMB30 million during the year. The increased capital RMB11 million was injected by 廣州駿安貿易有限公司 (Guangzhou Junan Trading Limited).

xx. The Registered Owner was changed from 麥慶龍 (Mak Hing Lung) to 廣州駿安貿易有限公司 (Guangzhou Junan Trading Limited) during the year.

xxi. The Group has casting vote at shareholders' meetings of the company and the company is accounted for as a subsidiary of the Group.

xxii. With effect from 1 January 2011, the Group has casting vote at shareholders' meetings of the company and the company is accounted for as a subsidiary of the Group.

xxiii. 廣東日產汽車貿易有限公司 (Guangdong Nissan Motor Trading Co., Ltd) ("Guangdong Nissan") is a jointly controlled entity of the Group and 0.02% of equity contribution is held under the relevant Contractual Arrangement by Guangdong Nissan.

xxiv. The registered capital was increased from RMB0.2 million to RMB1 million during the year. The increased capital RMB0.8 million was injected by 李雪英 (Li Xueying).

REPORT OF THE DIRECTORS

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

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

xxvii. 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 remained unchanged, (ii) the transactions carried out during the year remained consistent with the relevant provisions of the Contractual Arrangements as disclosed in the Prospectus, (iii) dividends declared by OPCOs for the year ended 31 December 2011 have been/will be paid to the Company's relevant subsidiary and not to the Registered Owner(s) and (iv) the new Contractual Arrangements entered into during the year are fair and reasonable so far as the Group is concerned and in the interests of the shareholders of the Company as a whole.

The Company's auditors were engaged to report on the Contractual Arrangements listed above in accordance with Hong Kong Standard on Related Services 4400 "Engagements to perform agreed-upon procedures regarding financial information" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued their letter containing their fact findings in respect of the conditions as set out in the Prospectus of the Company dated 4 October 2007, as required by the specific waiver granted by the Stock Exchange to the Company dated 28 September 2007. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

SHARE OPTION SCHEMES

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 recognise the contributions of certain directors and employees of the Group to the growth of the Group and to incentivise such persons going forward.

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 share 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 in the Company's shares on the Stock Exchange.

d. The grantee shall not, within 6 months from the listing of the Company, exercise any of the share options granted under the Pre-IPO Scheme.

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

f. The acceptance of an offer of the grant of the share 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 share options will be offered or granted under the Pre-IPO Scheme upon the commencement of dealings in the Company's shares on the Stock Exchange.

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

Date of grant	Number of share options	Exercise period	Exercise price per share HK$
3.10.2007	18,000,000	17.4.2008 – 2.10.2012	5.880

All share options granted and accepted were fully vested on the date of grant but have a lock-up period of 6 months from the listing of the Company and are then exercisable in whole or in part within 5 years from the date of grant. The remaining contractual life of the share options is 0.8 year. Options for 3,970,000 shares were exercised and no options lapsed or were cancelled during the year ended 31 December 2011.

A summary of the movements of share options during the year ended 31 December 2011 is as follows:

1. Directors of the Company

				Number of share options					
Name of Director	Date of grant	Exercise period	Exercise price per share HK$	Balance as at 1.1.2011	Granted during the year ended 31.12.2011	Lapsed / cancelled during the year ended 31.12.2011	Exercised during the year ended 31.12.2011	Balance as at 31.12.2011	Approximate percentage to the issued share capital
Hui Ying Bun	3.10.2007	17.4.2008 – 2.10.2012	5.880	500,000	–	–	–	500,000	0.027%
Chu Hon Fai*	3.10.2007	17.4.2008 – 2.10.2012	5.880	200,000	–	–	200,000	–	–
Mak Kwing Tim	3.10.2007	17.4.2008 – 2.10.2012	5.880	400,000	–	–	400,000	–	–
Lau Sei Keung	3.10.2007	17.4.2008 – 2.10.2012	5.880	400,000	–	–	400,000	–	–
Tsoi Tai Kwan, Arthur	3.10.2007	17.4.2008 – 2.10.2012	5.880	300,000	–	–	–	300,000	0.016%
Glenn Robert Sturrock Smith	3.10.2007	17.4.2008 – 2.10.2012	5.880	300,000	–	–	–	300,000	0.016%

* Mr Chu Hon Fai retired with effect from 1 January 2012.

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

			Number of share options					
Date of grant	Exercise period	Exercise price per share HK$	Balance as at 1.1.2011	Granted during the year ended 31.12.2011	Lapsed / cancelled during the year ended 31.12.2011	Exercised during the year ended 31.12.2011	Balance as at 31.12.2011	Approximate percentage to the issued share capital
3.10.2007	17.4.2008 – 2.10.2012	5.880	5,325,000	–	–	2,970,000	2,355,000	0.129%

The weighted average closing price of the shares of the Company immediately before the dates on which the shares options were exercised was HK$9.00.

REPORT OF THE DIRECTORS

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 of the Group and to promote the long term financial success of the Company by aligning the interests of grantees to the Company's shareholders.

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 share 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 of the Company in issue immediately following the commencement of dealings in the Company's shares on the Stock Exchange or (ii) the shares of the Company in issue from time to time, whichever is the lower. As at 1 March 2012, the maximum number of shares available for issue under the Post-IPO Scheme is 138,600,000, representing approximately 7.60% of the issued share capital of the Company. Shares 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 share 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 share option granted under the Post-IPO Scheme must not be more than 10 years commencing on the date of grant.

f. The acceptance of an offer of the grant of the share 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 Stock Exchange's daily quotations sheets on the date of grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the 5 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 share options will be granted.

Since the adoption of the Post-IPO Scheme, the Company has granted one lot of share options:

Date of grant	Number of share options	Exercise period	Exercise price per share HK$
7.7.2010	23,400,000	7.7.2010 – 6.7.2015	4.766

All share options granted and accepted were fully vested on the date of grant and are then exercisable in whole or in part within 5 years from the date of grant. The remaining contractual life of the share options is 3.5 years. Options for 2,670,000 shares were exercised and no options lapsed or were cancelled during the year ended 31 December 2011.

A summary of the movements of share options during the year ended 31 December 2011 is as follows:

1. Directors of the Company

				Number of share options					
Name of Director	Date of grant	Exercise period	Exercise price per share HK$	Balance as at 1.1.2011	Granted during the year ended 31.12.2011	Lapsed / cancelled during the year ended 31.12.2011	Exercised during the year ended 31.12.2011	Balance as at 31.12.2011	Approximate percentage to the issued share capital
Hui Ying Bun	7.7.2010	7.7.2010 – 6.7.2015	4.766	1,800,000	–	–	–	1,800,000	0.099%
Chu Hon Fai*	7.7.2010	7.7.2010 – 6.7.2015	4.766	1,450,000	–	–	–	1,450,000	0.080%
Yip Moon Tong	7.7.2010	7.7.2010 – 6.7.2015	4.766	1,450,000	–	–	–	1,450,000	0.080%
Mak Kwing Tim	7.7.2010	7.7.2010 – 6.7.2015	4.766	1,100,000	–	–	–	1,100,000	0.060%
Lau Sei Keung	7.7.2010	7.7.2010 – 6.7.2015	4.766	1,100,000	–	–	1,100,000	–	–
Tsoi Tai Kwan, Arthur	7.7.2010	7.7.2010 – 6.7.2015	4.766	1,100,000	–	–	–	1,100,000	0.060%
Glenn Robert Sturrock Smith	7.7.2010	7.7.2010 – 6.7.2015	4.766	1,100,000	–	–	–	1,100,000	0.060%
Wai King Fai, Francis	7.7.2010	7.7.2010 – 6.7.2015	4.766	900,000	–	–	100,000	800,000	0.044%

* Mr Chu Hon Fai retired with effect from 1 January 2012.

REPORT OF THE DIRECTORS

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

			Number of share options					
Date of grant	Exercise period	Exercise price per share HK$	Balance as at 1.1.2011	Granted during the year ended 31.12.2011	Lapsed / cancelled during the year ended 31.12.2011	Exercised during the year ended 31.12.2011	Balance as at 31.12.2011	Approximate percentage to the issued share capital
7.7.2010	7.7.2010 – 6.7.2015	4.766	6,100,000	–	–	1,470,000	4,630,000	0.254%

The weighted average closing price of the shares of the Company immediately before the dates on which the share options were exercised was HK$8.56.

All the share options forfeited before expiry will be treated as lapsed share options which will not be added back to the number of shares available to be issued under the Post-IPO Scheme.

UPDATE ON DIRECTORS' INFORMATION

The following disclosures are made pursuant to Rule 13.51B(1) of the Listing Rules.

1. The latest information regarding the monthly salary of the executive Directors under their respective service contracts is set out below:

Name of executive Director	**Monthly salary commencing on January 2012 HK$**	Monthly salary commencing on January 2011 HK$
Hui Ying Bun	–	153,000
Yip Moon Tong	**250,000**	136,000
Mak Kwing Tim	**200,000**	131,000
Lau Sei Keung	**200,000**	126,000
Tsoi Tai Kwan, Arthur	**180,000**	126,000
Glenn Robert Sturrock Smith	**180,000**	126,000
Wai King Fai, Francis	**160,000**	133,000

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 2012.

iii. For information regarding the full details of Directors' remuneration for the year ended 31 December 2011, please refer to note 9 to the financial statements.

2. Mr Hui Ying Bun, a former executive Director of the Company, was re-designated as non-executive Director of the Company with effect from 1 January 2012. Mr Hui remains as the Chairman of the Company. Subject to the shareholders' approval at the forthcoming annual general meeting of the Company to be held on 16 May 2012, Mr Hui is entitled to receive a non-executive Director's fee of HK$500,000 per annum (or, if he serves for less than a year, on a pro rata basis).

3. The following proposal effective for the financial year ending 31 December 2012 in relation to fees for serving on the nomination committee of the Directors of the Company have been endorsed by the Board in March 2012 and will be put forward for shareholders' approval at the forthcoming annual general meeting of the Company to be held on 16 May 2012:

   Fee payable to each member of the nomination committee (other than (i) executive Directors of the Company; and (ii) the Directors of the Company employed or appointed as a consultant by CITIC Pacific) be HK$50,000 per annum (or, if he serves for less than a year, on a pro rata basis).

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 2011 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	Approximate percentage to the issued share capital
Hui Ying Bun	2,216,000	0.122%
Chu Hon Fai *(Note i)*	1,100,000	0.060%
Yip Moon Tong	1,300,000 *(Note ii)*	0.071%
Mak Kwing Tim	200,000	0.011%
Lau Sei Keung	2,080,000	0.114%
Tsoi Tai Kwan, Arthur	420,000	0.023%
Glenn Robert Sturrock Smith	250,000	0.014%
Wai King Fai, Francis	100,000	0.005%

Notes:

i. Mr Chu Hon Fai retired with effect from 1 January 2012.

ii. Interest jointly held with his spouse in respect of 300,000 shares and personal interest in respect of 1,000,000 shares.

REPORT OF THE DIRECTORS

2. Shares in Associated Corporations

(a) *CITIC Pacific Limited*

Name of Director	Number of shares Personal interests	Approximate percentage to the issued share capital
Hui Ying Bun	837,000	0.02293%
Chu Hon Fai*	300,000	0.00822%
Lau Sei Keung	1,000	0.00003%
Tsoi Tai Kwan, Arthur	18,000	0.00049%

* Mr Chu Hon Fai retired with effect from 1 January 2012.

(b) *CITIC Telecom International Holdings Limited*

Name of Director	Number of shares Personal interests	Approximate percentage to the issued share capital
Kwok Man Leung	150,000	0.006%

(c) *China CITIC Bank Corporation Limited*

Name of Director	Number of shares Personal interests	Approximate percentage to the issued share capital
Cheung Kin Piu, Valiant	1,094,400	0.007%

3. Share 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 detail in the preceding section of Share Option Schemes.

4. Share Options in Associated Corporations

(a) CITIC Pacific Limited

Name of Director	Date of grant	Exercise period	Exercise price per share HK$	Number of share options: Balance as at 1.1.2011	Granted during the year ended 31.12.2011	Lapsed / cancelled during the year ended 31.12.2011	Exercised during the year ended 31.12.2011	Balance as at 31.12.2011	Approximate percentage to the issued share capital
Hui Ying Bun	20.6.2006	20.6.2006 – 19.6.2011	22.10	300,000	–	–	300,000	–	–
Chu Hon Fai*	20.6.2006	20.6.2006 – 19.6.2011	22.10	200,000	–	–	200,000	–	–
Kwok Man Leung	16.10.2007	16.10.2007 – 15.10.2012	47.32	600,000	–	–	–	600,000	
	19.11.2009	19.11.2009 – 18.11.2014	22.00	500,000	–	–	–	500,000	
				1,100,000				1,100,000	0.030%
Fei Yiping	19.11.2009	19.11.2009 – 18.11.2014	22.00	300,000	–	–	–	300,000	0.008%

* Mr Chu Hon Fai retired with effect from 1 January 2012.

Note: The share options were granted by CITIC Pacific.

(b) CITIC Telecom International Holdings Limited

Name of Director	Date of grant	Exercise period	Exercise price per share HK$	Number of share options: Balance as at 1.1.2011	Granted during the year ended 31.12.2011	Lapsed / cancelled during the year ended 31.12.2011	Exercised during the year ended 31.12.2011	Balance as at 31.12.2011	Approximate percentage to the issued share capital
Kwok Man Leung	17.9.2009	17.9.2010 – 16.9.2015	2.10	150,000	–	–	150,000	–	–
	17.9.2009	17.9.2011 – 16.9.2016	2.10	150,000	–	150,000	–	–	–

Note: The share options were granted by CITIC Telecom International Holdings Limited.

Save as disclosed above, as at 31 December 2011, 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 were required to be entered into the register kept by the Company pursuant to section 352 of the SFO or any interests which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules.

Saved as 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.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2011, the interests of the substantial shareholders in the shares of the Company as recorded in the register of interests in shares and short positions required to be kept under section 336 of the SFO were as follows:

Name	Number of shares of the Company	Approximate percentage to the issued share capital
CITIC Group Corporation	1,032,550,000(L)	56.70%(L)
CITIC Limited	1,032,550,000(L)	56.70%(L)
CITIC Pacific Limited	1,018,800,000(L)	55.94%(L)
Davenmore Limited	1,018,800,000(L)	55.94%(L)
Colton Pacific Limited	800,922,200(L)	43.98%(L)
Chadacre Developments Limited	245,102,000(L)	13.46%(L)
Ascari Holdings Ltd.	217,877,800(L)	11.96%(L)
Cornaldi Enterprises Limited	95,317,400(L)	5.23%(L)
JPMorgan Chase & Co.	93,821,678(L)	5.15%(L)
	88,842,518(P)	4.88%(P)

Note: (L) – long position, (P) – lending pool

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 and 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 subsidiaries.

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

CITIC Limited was deemed to be interested in 1,032,550,000 shares through its non-wholly owned subsidiary, CITIC Pacific Limited, as to 1,018,800,000 shares and its wholly-owned subsidiary, Hainsworth Limited, as to 13,750,000 shares.

CITIC Group Corporation was deemed to be interested in 1,032,550,000 shares through its wholly-owned subsidiary, CITIC Limited.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 31 to the financial statements. Shares were issued during the year on exercise of share options.

Neither the Company nor any of its subsidiary companies purchased or sold any of the Company's shares during the year ended 31 December 2011 and the Company did not redeem any of its shares during the year ended 31 December 2011.

SERVICE CONTRACTS

As at 31 December 2011, 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 of the Company.

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 2011.

By order of the Board
Hui Ying Bun *Chairman*
Hong Kong, 1 March 2012

INDEPENDENT AUDITOR'S REPORT

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

We have audited the consolidated financial statements of Dah Chong Hong Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 79 to 162, which comprise the consolidated and Company balance sheets as at 31 December 2011, 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 information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 consolidated 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 2011 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
1 March 2012

Consolidated Income Statement

For the year ended 31 December 2011

HK$ million	Note	**2011**	2010 (restated)
Turnover	4	**46,109**	32,211
Cost of sales		**(40,943)**	(28,269)
Gross profit		**5,166**	3,942
Other income	6	**494**	393
Selling and distribution expenses		**(2,303)**	(1,691)
Administrative expenses		**(1,496)**	(1,180)
Profit from operations		**1,861**	1,464
Net gain / (loss) on			
- remeasurement of investment properties		**124**	30
- property re-classified as asset held for sale	7(d)	**81**	–
- disposal of land and buildings held for own use	7(e)	**(3)**	122
- disposal of an investment property		**5**	–
Net (loss) / gain on disposal of jointly controlled entities	20(ii)	**(2)**	331
Impairment losses on property, plant and equipment, intangible assets and goodwill	7(c)	**(36)**	(106)
Finance costs	7(a)	**(194)**	(115)
Share of profit after tax of associates		**4**	21
Share of profit after tax of jointly controlled entities	20(b)	**23**	50
Profit before taxation	7	**1,863**	1,797
Income tax	8	**(498)**	(341)
Profit for the year		**1,365**	1,456
Attributable to:			
Shareholders of the Company		**1,323**	1,422
Non-controlling interests		**42**	34
		1,365	1,456
Basic earnings per share (HK cents)	13(a)	**72.73**	78.94
Diluted earnings per share (HK cents)	13(b)	**72.40**	78.57

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

HK$ million	**2011**	2010 (restated)
Profit for the year	**1,365**	1,456
Exchange differences on translation of entities outside Hong Kong:		
- subsidiaries	**208**	207
- associates and jointly controlled entities	**10**	19
Release of exchange reserve upon disposal of subsidiaries, associates and jointly controlled entities	**(2)**	–
Other comprehensive income for the year, net of tax	**216**	226
Total comprehensive income for the year	**1,581**	1,682
Attributable to:		
Shareholders of the Company	**1,518**	1,635
Non-controlling interests	**63**	47
	1,581	1,682

Consolidated Balance Sheet

HK$ million	Note	**At 31 December 2011**	At 31 December 2010 (restated)	At 1 January 2010 (restated)
Non-current assets				
Fixed assets	14(a)			
- Property, plant and equipment		**3,070**	2,115	1,763
- Investment properties		**875**	704	808
		3,945	2,819	2,571
Lease prepayments	15	**382**	299	315
Intangible assets	16	**710**	270	263
Goodwill	17	**347**	260	287
Interest in associates	19	**228**	203	130
Interest in jointly controlled entities	20	**239**	356	258
Available-for-sale investments	21	**8**	8	5
Deferred tax assets	30(a)	**103**	46	40
		5,962	4,261	3,869
Current assets				
Inventories	22	**6,056**	3,642	2,621
Asset held for sale	23	**–**	189	–
Trade and other receivables	24	**5,909**	4,634	3,075
Current tax recoverable		**41**	27	15
Cash and bank deposits	25	**2,854**	1,991	1,895
		14,860	10,483	7,606
Current liabilities				
Borrowings	26	**3,764**	2,577	2,041
Trade and other payables	27	**6,092**	4,004	3,002
Current tax payable		**201**	104	77
		10,057	6,685	5,120
Net current assets		**4,803**	3,798	2,486
Total assets less current liabilities		**10,765**	8,059	6,355
Non-current liabilities				
Borrowings	26	**2,020**	725	395
Deferred tax liabilities	30(a)	**270**	179	171
		2,290	904	566
Net assets		**8,475**	7,155	5,789

Consolidated Balance Sheet (continued)

HK$ million	Note	At 31 December 2011	At 31 December 2010 (restated)	At 1 January 2010 (restated)
Capital and reserves	31			
Share capital		**273**	272	270
Reserves		**7,636**	6,576	5,220
Total equity attributable to shareholders of the Company		**7,909**	6,848	5,490
Non-controlling interests		**566**	307	299
Total equity		**8,475**	7,155	5,789

Approved and authorised for issue by the board of directors on 1 March 2012.

Hui Ying Bun
Director

Yip Moon Tong
Director

Balance Sheet

HK$ million	Note	**At 31 December 2011**	At 31 December 2010 (restated)	At 1 January 2010 (restated)
Non-current assets				
Investment properties	14(b)	**159**	128	118
Interest in subsidiaries	18	**3,232**	2,551	2,002
		3,391	2,679	2,120
Current assets				
Assets held for sale		**–**	–	53
Trade and other receivables	24	**1,863**	1,107	1,270
Cash and bank deposits	25	**68**	141	179
		1,931	1,248	1,502
Current liabilities				
Borrowings	26(a)	**340**	160	475
Trade and other payables	27	**166**	221	371
Current tax payable		**1**	2	–
		507	383	846
Net current assets		**1,424**	865	656
Total assets less current liabilities		**4,815**	3,544	2,776
Non-current liabilities				
Borrowings	26(a)	**2,020**	725	225
Deferred tax liabilities	30(a)	**1**	–	–
		2,021	725	225
Net assets		**2,794**	2,819	2,551
Capital and reserves	31			
Share capital		**273**	272	270
Reserves		**2,521**	2,547	2,281
Total equity		**2,794**	2,819	2,551

Approved and authorised for issue by the board of directors on 1 March 2012.

Hui Ying Bun
Director

Yip Moon Tong
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

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	Non-controlling 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 2010, as previously reported	270	976	248	143	35	1	25	444	2	3,313	5,457	299	5,756
Effect of adoption of amendments to HKAS 12 (Note 1(b))	–	–	–	–	–	–	–	–	–	33	33	–	33
At 1 January 2010, restated	270	976	248	143	35	1	25	444	2	3,346	5,490	299	5,789
Profit for the year, restated	–	–	–	–	–	–	–	–	–	1,422	1,422	34	1,456
Other comprehensive income	–	–	–	–	–	–	–	213	–	–	213	13	226
Total comprehensive income for the year, restated	–	–	–	–	–	–	–	213	–	1,422	1,635	47	1,682
Acquisition of non-controlling interests	–	–	(2)	–	–	–	–	–	–	–	(2)	(19)	(21)
Disposal of jointly controlled entities	–	–	–	–	–	–	–	(1)	–	1	–	–	–
Transfer from retained profits	–	–	15	–	2	–	–	–	–	(17)	–	–	–
Share-based payments (Note 29)	–	–	–	–	–	–	31	–	–	–	31	–	31
Exercise of share options (Note 31(a))	2	111	–	–	–	–	(24)	–	–	–	89	–	89
Dividends (Note 12)	–	–	–	–	–	–	–	–	–	(395)	(395)	–	(395)
Dividends to holders of non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(20)	(20)
At 31 December 2010, restated	272	1,087	261	143	37	1	32	656	2	4,357	6,848	307	7,155

HK$ million	Share capital	Share premium	General reserve	Capital reserve	Statutory surplus reserve	Merger reserve	Share option reserve	Exchange fluctuation reserve	Asset revaluation reserve	Retained profits	Total	Non-controlling interests	Total equity
	Attributable to shareholders of the Company												
Note	(31(a))	(31(b))	(31(c))	(31(d))	(31(e))	(31(f))	(31(g))	(31(h))	(31(i))				
At 1 January 2011, as previously reported	272	1,087	261	143	37	1	32	656	2	4,313	6,804	307	7,111
Effect of adoption of amendments to HKAS 12 (Note 1(b))	–	–	–	–	–	–	–	–	–	44	44	–	44
At 1 January 2011, restated	272	1,087	261	143	37	1	32	656	2	4,357	6,848	307	7,155
Profit for the year	–	–	–	–	–	–	–	–	–	1,323	1,323	42	1,365
Other comprehensive income	–	–	–	–	–	–	–	195	–	–	195	21	216
Total comprehensive income for the year	–	–	–	–	–	–	–	195	–	1,323	1,518	63	1,581
Acquisition of non-controlling interests	–	–	(1)	–	–	–	–	–	–	–	(1)	(4)	(5)
Capital injection from holders of non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	12	12
Non-controlling interests arising from acquisition of subsidiaries (Note 32(c))	–	–	–	–	–	–	–	–	–	–	–	257	257
Partial disposal of interest in subsidiaries	–	–	(1)	–	–	–	–	–	–	–	(1)	5	4
Disposal of jointly controlled entities	–	–	–	–	(2)	–	–	–	–	2	–	–	–
Exercise of share options (Note 31(a))	1	45	–	–	–	–	(9)	–	–	–	37	–	37
Transfer from retained profits	–	–	25	–	29	–	–	–	–	(54)	–	–	–
Dividends (Note 12)	–	–	–	–	–	–	–	–	–	(492)	(492)	–	(492)
Dividends to holders of non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(74)	(74)
At 31 December 2011	273	1,132	284	143	64	1	23	851	2	5,136	7,909	566	8,475

Statement of Changes in Equity

For the year ended 31 December 2011

HK$ million	Share capital	Share premium	Share option reserve	Retained profits	Total
Note	(31(a))	(31(b))	(31(g))	(31(j))	
At 1 January 2010, as previously reported	270	976	25	1,265	2,536
Effect of adoption of amendments to HKAS 12 (Note 1(b))	–	–	–	15	15
At 1 January 2010, restated	270	976	25	1,280	2,551
Total comprehensive income for the year, restated	–	–	–	543	543
Share-based payments (Note 29)	–	–	31	–	31
Exercise of share options (Note 31(a))	2	111	(24)	–	89
Dividends (Note 12)	–	–	–	(395)	(395)
At 31 December 2010, restated	272	1,087	32	1,428	2,819
At 1 January 2011, as previously reported	**272**	**1,087**	**32**	**1,420**	**2,811**
Effect of adoption of amendments to HKAS 12 (Note 1(b))	**–**	**–**	**–**	**8**	**8**
At 1 January 2011, restated	**272**	**1,087**	**32**	**1,428**	**2,819**
Total comprehensive income for the year	**–**	**–**	**–**	**430**	**430**
Exercise of share options (Note 31(a))	**1**	**45**	**(9)**	**–**	**37**
Dividends (Note 12)	**–**	**–**	**–**	**(492)**	**(492)**
At 31 December 2011	**273**	**1,132**	**23**	**1,366**	**2,794**

Consolidated Cash Flow Statement

For the year ended 31 December 2011

HK$ million	Note	2011	2010
Operating activities			
Profit before taxation		**1,863**	1,797
Adjustments for:			
- Net gain on remeasurement of investment properties		**(124)**	(30)
- Net gain on property re-classified as asset held for sale		**(81)**	–
- Depreciation and amortisation		**393**	276
- Impairment losses on property, plant and equipment, intangible assets and goodwill		**36**	106
- Impairment loss on lease prepayments		**–**	1
- Impairment loss on trade and other receivables		**8**	1
- Finance costs		**194**	115
- Interest income		**(23)**	(15)
- Share of profit after tax of associates		**(4)**	(21)
- Share of profit after tax of jointly controlled entities		**(23)**	(50)
- Net gain on disposal of fixed assets		**(10)**	(127)
- Net loss on disposal of subsidiaries		**–**	1
- Net loss / (gain) on disposal of jointly controlled entities		**2**	(331)
- Net fair value loss / (gain) on foreign currency forward contracts		**54**	(8)
- Share-based payments		**–**	31
- Foreign exchange loss / (gain)		**5**	(28)
Operating profit before changes in working capital		**2,290**	1,718
Increase in inventories		**(1,900)**	(931)
Increase in trade and other receivables		**(836)**	(1,398)
Increase in trade and other payables		**1,465**	876
Cash generated from operations		**1,019**	265
Income tax paid		**(465)**	(340)
Net cash generated from / (used in) operating activities		**554**	(75)

Consolidated Cash Flow Statement (continued)

For the year ended 31 December 2011

HK$ million	Note	2011	2010
Investing activities			
Payment for purchase of fixed assets		**(1,140)**	(654)
Payment for lease prepayments		**(74)**	–
Proceeds from disposal of fixed assets		**303**	166
Proceeds from disposal of lease prepayments		**2**	21
Acquisition of jointly controlled entities		**–**	(152)
Capital injection from holders of non-controlling interests		**12**	–
Capital injection to associates		**(13)**	(57)
Capital injection to jointly controlled entities		**(29)**	–
Advance and repayment from associates		**1**	1
Advance and repayment to jointly controlled entities		**(34)**	(74)
Advance and repayment from jointly controlled entities		**10**	19
Net cash outflow for purchase of subsidiaries	32(c)	**(128)**	–
Net cash inflow from disposal of subsidiaries		**–**	1
Loan to a shareholder of a jointly controlled entity	24(f)	**–**	(106)
Interest received		**19**	15
Dividends received from jointly controlled entities		**7**	55
Proceeds from disposal of a jointly controlled entity	20(ii)	**–**	500
Increase in deposits with banks		**(137)**	(68)
Net cash used in investing activities		**(1,201)**	(333)
Financing activities			
Proceeds from bank and other loans drawdown		**14,663**	9,028
Repayment of bank and other loans		**(12,628)**	(8,233)
Partial disposal of interest in subsidiaries		**4**	–
Acquisition of non-controlling interests		**(5)**	(21)
Advance and repayment to holders of non-controlling interests		**(139)**	(132)
Advance and repayment from holders of non-controlling interests		**87**	168
Interest paid		**(194)**	(115)
Dividends paid to shareholders of the Company		**(492)**	(395)
Dividends paid to holders of non-controlling interests		**(37)**	(20)
Proceeds from shares issued under share option schemes		**37**	89
Net cash generated from financing activities		**1,296**	369
Net increase / (decrease) in cash and cash equivalents		**649**	(39)
Cash and cash equivalents at 1 January		**1,672**	1,647
Effect of foreign exchange rates changes		**54**	64
Cash and cash equivalents at 31 December	25	**2,375**	1,672

Notes to the Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

(b) Changes in accounting policies

The Group has adopted all relevant new and revised HKFRSs which are effective for the current accounting year. The relevant revised HKFRSs are listed below:

- HKAS 24 (Revised), Related Party Disclosures

- Improvements to HKFRSs 2010

Adoption of the above revised HKFRSs does not result in a significant impact on the Group's results of operations and financial position for the current or comparative periods nor any significant change in the Group's accounting policies.

The Group has not applied any new and revised HKFRSs that is not yet effective for the current accounting year, with the exception of the amendments to HKAS 12, Income Taxes.

Early adoption of the amendments to HKAS 12, Income Taxes

The amendments to HKAS 12 are effective for annual periods beginning on or after 1 January 2012, but early adoption is permitted. The Group has decided to early adopt the amendments in the current accounting year.

As a result of the early adoption of these amendments, the Group measures deferred tax liabilities in respect of its investment properties with reference to the tax liabilities that would arise if the properties were disposed of at their carrying amounts at the balance sheet date. Previously, deferred tax of these properties was generally measured using the tax rates that would apply as a result of recovery of the assets' value through use.

Notes to the Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Changes in accounting policies (continued)

Early adoption of the amendments to HKAS 12, Income Taxes (continued)

This change in accounting policy has been applied retrospectively and certain comparative figures have been restated. Effect of early adoption of the amendments to HKAS 12 is as follows:

HK$ million	Group	Company
Income statement for the year ended 31 December 2011:		
Decrease in income tax	28	5
Increase in profit for the year attributable to shareholders of the Company	28	5
Increase in basic earnings per share (HK cents)	1.54	N/A
Increase in diluted earnings per share (HK cents)	1.53	N/A
Income statement for the year ended 31 December 2010:		
Decrease / (increase) in income tax	11	(7)
Increase / (decrease) in profit for the year attributable to shareholders of the Company	11	(7)
Increase in basic and diluted earnings per share (HK cents)	0.61	N/A
Balance sheet at 31 December 2011:		
Decrease in deferred tax liabilities	72	13
Increase in retained profits	72	13
Balance sheet at 31 December 2010:		
Decrease in deferred tax liabilities	44	8
Increase in retained profits	44	8
Balance sheet at 1 January 2010:		
Decrease in deferred tax liabilities	33	15
Increase in retained profits	33	15

(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. Actual results may differ from these estimates.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Basis of preparation (continued)

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 and in any future periods affected.

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 non-controlling 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.

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 profits but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the portion of the net assets of subsidiaries not attributable directly or indirectly to the Group, are presented in the consolidated balance sheet within equity, separately from equity attributable to shareholders of the Company. Non-controlling 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 non-controlling interests and shareholders of the Company. For each business combination, the Group can measure any non-controlling interests either at fair value or at their proportionate share of the acquired subsidiary's identifiable net assets.

Changes in the Group's equity interests in a subsidiary that do not result in the loss of control are accounted for as equity transactions, whereby adjustments (the difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid and received) are made directly in general reserve to reflect the change in relative interests. No goodwill and gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of an available-for-sale investment (Note 1(g)) or, when appropriate, the cost on initial recognition of an investment in associate or jointly controlled entity (Note 1(e)).

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

Notes to the Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of investment, if any. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (Note 1(m)). The Group's share of the post-acquisition after tax results of the investees and any impairment loss for the year are recognised in the consolidated income statement whereas the Group's share of the post-acquisition after tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income. Any acquisition-date fair values in excess of costs is also accounted for in the consolidated income statement.

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.

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.

When the Group ceases to have significant influence over an associate or joint control over a jointly controlled entity, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and such amount is regarded as the fair value on initial recognition of an available-for-sale investment (Note 1(g)) or, when appropriate, the cost on initial recognition of an investment in associate.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Goodwill

Goodwill represents the excess of (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree over (ii) the net fair value of the acquiree's identifiable assets and liabilities measured at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to the Group's cash-generating units ("CGU") and is tested annually for impairment (Note 1(m)).

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

(g) Available-for-sale investments

Available-for-sale investments are initially stated at fair value. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated in the fair value reserve. Dividend income from these investments is recognised in profit or loss. When these investments are derecognised or impaired (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 expiry date of the investments.

(h) Derivative financial instruments

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

(i) Investment properties

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

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

Notes to the Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (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.

- land classified as being held under finance leases is depreciated on a straight-line basis over the unexpired term of lease.

- buildings situated on freehold land are depreciated on a straight-line basis over their estimated useful lives, 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 a fixed 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 (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 – 20 years

The useful life and method of amortisation of an intangible asset are reviewed annually.

(l) Leased assets

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 (Note 1(i)) 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.

Operating lease payments (net of any incentives received from the lessor) are charged to 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.

Lease prepayments for land held under an operating lease are amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (Note 1(i)).

Notes to the Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of assets

(i) Impairment of trade and other receivables and available-for-sale investments

Trade and other receivables and available-for-sale investments are reviewed for impairment at the end of each reporting period or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

- For trade and other receivables carried at 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.

  If in a subsequent period the amount of an impairment loss decreases, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

- For available-for-sale investments, the cumulative loss that has been recognised directly in fair value reserve is transferred to 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 investments 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 an allowance account.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of assets (continued)

(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;

- lease prepayments;

- 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.

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 values 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 CGU).

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the CGU to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (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.

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 profit or loss in the year in which the reversals are recognised.

Notes to the Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 cost of sales 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 cost of sales in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is offset against the cost of sales in the period in which the reversal occurs.

(o) Asset 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.

On initial classification as held for sale and until disposal, the asset is recognised at the lower of carrying amount and fair value less costs to sell, except investment property which would continue to be measured in accordance with note 1(i).

(p) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less provision for impairment of doubtful debts (Note 1(m)), except where the receivables are non-interest bearing loans made to related parties that are recoverable on demand or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less provision for impairment of doubtful debts.

(q) 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.

(r) 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(v)*(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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) 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 from date of deposit. Bank overdrafts that are repayable on demand are also included as a component of cash and cash equivalents.

(t) Employee benefits

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

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement schemes 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 a staff 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).

(u) Income tax

Income tax for the year comprises current income tax, movement in deferred tax assets and liabilities and withholding tax.

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

Notes to the Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Income tax (continued)

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.

(v) 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 a 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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. 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 sales 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 motor parts, accessories, foodstuff and consumer products

Revenue arising from the sales of motor parts, accessories, foodstuff and consumer products is recognised on delivery of goods to customers. Revenue is after deduction of any trade discounts.

(iii) Repairing services income

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

(iv) Logistics service income and other related services income

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

(v) Rental income from operating leases

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

(vi) Commission income, subsidy income and rebate

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

(vii) Dividend income

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

(viii) Interest income

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

Notes to the Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) 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 transaction 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 and fair value adjustments arising from acquisition, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange fluctuation reserve.

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 gain or loss on disposal.

(y) 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 ceased when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

(a) has control or joint control over the Group;

(b) has significant influence over the Group; or

(c) is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

(a) The entity is a parent company, subsidiary or fellow subsidiary of the Group.

(b) The entity is an associate or joint venture of the Group or vice versa (or an associate or joint venture of a member of a group of which the Group is a member or vice versa).

(c) The entity and the Group are joint ventures of the same third party.

(d) The entity is a joint venture of a third entity and the Group is an associate of the same entity, or vice versa.

(e) The entity is controlled or jointly controlled by a person identified in *(i)*.

(f) A person identified in *(i)(a)* has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close family members of a person are those family members who may be expected to influence, or be influenced by, that person 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 reported or used by the Group's senior executive management for the above purposes.

Notes to the Financial Statements

2. POSSIBLE IMPACT OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2011

Up to the date of issue of these financial statements, the HKICPA has issued a number of new standards, amendments and interpretations which are not yet effective for the current accounting year. The Group has not early adopted them for the year ended 31 December 2011 with the exception of the amendments to HKAS 12 (Note 1(b)).

The Group is in the process of making an assessment of the impact of these new standards, amendments and interpretations in the period of initial application. These include the following which may be relevant to the Group:

- Amendments to HKAS 1, Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income

- HKFRS 9, Financial Instruments

- HKFRS 10, Consolidated Financial Statements

- HKFRS 11, Joint Arrangements

- HKFRS 12, Disclosure of Interests in Other Entities

- HKFRS 13, Fair Value Measurement

- HKAS 27 (2011), Separate Financial Statements

- HKAS 28 (2011), Investments in Associates and Joint Ventures

3. ACCOUNTING ESTIMATES AND JUDGEMENTS

The critical accounting estimates and judgements in applying the Group's accounting policies are described below:

(a) Valuation of investment properties

The investment properties are 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 profit or loss in future years.

(b) Income tax

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

(c) 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 financial position.

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

(d) 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 financial position.

Notes to the Financial Statements

3. ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(e) Provision for product rectification

The Group makes provision for product rectification 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 the Group's profit or loss in future years.

(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, associates and jointly controlled entities, 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 judgements and assumptions. Any change in such judgements and assumptions would affect the fair value of assets acquired and liabilities assumed.

4. TURNOVER

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

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

HK$ million	**2011**	2010
Sales of motor vehicles, motor parts, accessories and motor services	**37,180**	24,640
Sales of food and consumer products	**8,436**	7,203
Logistics services and other related income	**343**	263
Revenue from other business	**150**	105
Total	**46,109**	32,211

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 / Other Markets)

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-sales 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 "Other Markets" geographical segment mainly covers business operations in Japan, Singapore, Taiwan and Canada.

(ii) Food and Consumer Products Business (Hong Kong & Macao / Mainland China / Other Markets)

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 "Other Markets" geographical segment mainly covers business operations in Japan, Singapore and the European markets.

(iii) Logistics Business (Hong Kong & Macao / Mainland China)

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 namely 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 are conducted on normal commercial terms and are priced with reference to prevailing market prices and in the ordinary course of business.

Performance is measured based on segment result from operations and segment profit after taxation which includes 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.

Notes to the Financial Statements

5. SEGMENT REPORTING (CONTINUED)

(a) Segment results

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

HK$ million Year ended 31 December 2011	Motor and Motor Related Business Hong Kong & Macao	Mainland China	Other Markets	Sub-total	Food and Consumer Products Business Hong Kong & Macao	Mainland China	Other Markets	Sub-total	Logistics Business Hong Kong & Macao	Mainland China	Sub-total	Other Business	Inter-segment elimination	Total
Turnover from external customers	4,781	30,901	1,498	37,180	4,056	3,481	899	8,436	233	110	343	150	-	46,109
Inter-segment turnover	3	-	-	3	5	2	-	7	102	7	109	46	(165)	-
Segment Turnover	4,784	30,901	1,498	37,183	4,061	3,483	899	8,443	335	117	452	196	(165)	46,109
Segment result from operations	339	1,308	25	1,672	160	105	(55)	210	20	(2)	18	66	-	1,966
Share of profit / (loss) after tax of associates	-	(6)	-	(6)	-	10	-	10	-	-	-	-	-	4
Share of profit / (loss) after tax of jointly controlled entities	10	10	-	20	-	(1)	-	(1)	-	-	-	4	-	23
Segment profit / (loss) before taxation	349	1,312	25	1,686	160	114	(55)	219	20	(2)	18	70	-	1,993
Segment income tax	(61)	(355)	(7)	(423)	(31)	(25)	(12)	(68)	(3)	-	(3)	3	-	(491)
Segment profit / (loss) after taxation	288	957	18	1,263	129	89	(67)	151	17	(2)	15	73	-	1,502
Reconciliation:														
Net gain / (loss) on														
- remeasurement of investment properties														124
- property re-classified as asset held for sale														81
- disposal of land and buildings held for own use														(3)
- disposal of an investment property														5
Net loss on disposal of jointly controlled entities														(2)
Amortisation of fair value adjustment on property, plant and equipment and intangible assets arising from business combinations														(38)
Impairment losses on property, plant and equipment (Note 7(c))														(36)
Net fair value loss on derivative financial instruments														(54)
Unallocated corporate expenses														(207)
Reconciliation items before taxation														(130)
Tax impact:														
Recognition of deferred tax liabilities of undistributed profits (Note 8(a))														(38)
De-recognition of deferred tax assets (Note 8(a)*(iii)*)														(8)
Tax effect on the above reconciliation items														39
Reconciliation items net of taxation														(137)
Profit for the year														1,365

5. SEGMENT REPORTING (CONTINUED)

(a) Segment results (continued)

HK$ million Year ended 31 December 2010 (restated)	Motor and Motor Related Business				Food and Consumer Products Business				Logistics Business					
	Hong Kong & Macao	Mainland China	Other Markets	Sub-total	Hong Kong & Macao	Mainland China	Other Markets	Sub-total	Hong Kong & Macao	Mainland China	Sub-total	Other Business	Inter-segment elimination	Total
Turnover from external customers	4,214	19,350	1,076	24,640	3,437	2,862	904	7,203	215	48	263	105	–	32,211
Inter-segment turnover	3	–	–	3	2	1	–	3	96	6	102	46	(154)	–
Segment Turnover	4,217	19,350	1,076	24,643	3,439	2,863	904	7,206	311	54	365	151	(154)	32,211
Segment result from operations	328	953	20	1,301	142	71	(32)	181	21	1	22	67	–	1,571
Share of profit / (loss) after tax of associates	–	(2)	–	(2)	–	23	–	23	–	–	–	–	–	21
Share of profit after tax of jointly controlled entities	7	8	–	15	30	–	–	30	–	–	–	5	–	50
Segment profit / (loss) before taxation	335	959	20	1,314	172	94	(32)	234	21	1	22	72	–	1,642
Segment income tax	(51)	(243)	(4)	(298)	(28)	(20)	(11)	(59)	(5)	–	(5)	(6)	–	(368)
Segment profit / (loss) after taxation	284	716	16	1,016	144	74	(43)	175	16	1	17	66	–	1,274
Reconciliation:														
Net gain on														
- remeasurement of investment properties														30
- disposal of land and buildings held for own use														122
Net loss on disposal of subsidiaries (Note 6)														(1)
Net gain on disposal of a jointly controlled entity														331
Amortisation of fair value adjustment on property, plant and equipment and intangible assets arising from business combinations														(29)
Impairment losses on property, plant and equipment, intangible assets and goodwill (Note 7(c))														(106)
Impairment loss on lease prepayments (Note 7(c))														(1)
Net fair value gain on derivative financial instruments														5
Share-based payments (Note 7(b))														(31)
Unallocated corporate expenses														(165)
Reconciliation items before taxation														155
Tax impact:														
De-recognition of deferred tax assets (Note 8(a)(*iii*))														(21)
Tax effect on the above reconciliation items														48
Reconciliation items net of taxation														182
Profit for the year														1,456

Notes to the Financial Statements

5. SEGMENT REPORTING (CONTINUED)

(b) Other segment information

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

HK$ million	Motor and Motor Related Business				Food and Consumer Products Business				Logistics Business				
Year ended 31 December 2011	**Hong Kong & Macao**	**Mainland China**	**Other Markets**	**Sub-total**	**Hong Kong & Macao**	**Mainland China**	**Other Markets**	**Sub-total**	**Hong Kong & Macao**	**Mainland China**	**Sub-total**	**Other Business**	**Total**
Segmental depreciation and amortisation	**78**	**145**	**14**	**237**	**29**	**7**	**41**	**77**	**15**	**15**	**30**	**11**	**355**
Segmental interest income	**–**	**27**	**–**	**27**	**–**	**3**	**–**	**3**	**–**	**3**	**3**	**–**	**33**
Segmental interest expense	**1**	**125**	**2**	**128**	**1**	**35**	**7**	**43**	**–**	**–**	**–**	**3**	**174**

HK$ million	Motor and Motor Related Business				Food and Consumer Products Business				Logistics Business				
Year ended 31 December 2010	Hong Kong & Macao	Mainland China	Other Markets	Sub-total	Hong Kong & Macao	Mainland China	Other Markets	Sub-total	Hong Kong & Macao	Mainland China	Sub-total	Other Business	Total
Segmental depreciation and amortisation	62	78	10	150	22	5	42	69	15	8	23	6	248
Segmental interest income	–	14	–	14	–	2	–	2	–	2	2	–	18
Segmental interest expense	–	65	3	68	1	22	13	36	–	–	–	–	104

(c) Geographic information

The Group operates in three major geographical segments: Hong Kong and Macao, mainland China and other markets. Other markets mainly represent Japan, Singapore, Taiwan and Canada. 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 available-for-sale investments and deferred tax assets) by geographical segment is as follows:

HK$ million	Turnover from external customers		Non-current assets	
	2011	2010	**2011**	2010
Hong Kong & Macao	**9,130**	7,919	**1,351**	1,004
Mainland China	**34,526**	22,260	**3,946**	2,636
Other Markets	**2,453**	2,032	**554**	567
Total	**46,109**	32,211	**5,851**	4,207

6. OTHER INCOME

HK$ million	2011	2010
Commission income, subsidy income and rebate	**331**	231
Handling and service charge income	**73**	43
Interest income from bank deposits	**17**	12
Other interest income	**6**	3
Net gain on disposal of other fixed assets	**8**	5
Net exchange gain	**33**	37
Net fair value (loss) / gain on foreign currency forward contracts	**(54)**	8
Net loss on disposal of subsidiaries	**–**	(1)
Others	**80**	55
Total	**494**	393

7. PROFIT BEFORE TAXATION

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

(a) Finance costs

HK$ million	2011	2010
Interest on bank advances and other borrowings wholly repayable within five years	**194**	115

(b) Staff costs

HK$ million	2011	2010
Salaries, wages and other benefits	**2,087**	1,605
Contributions to defined contribution retirement schemes (Note)	**97**	64
Share-based payments (Note 29)	**–**	31
Total	**2,184**	1,700

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 of HK$1,000 monthly 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.

Notes to the Financial Statements

7. PROFIT BEFORE TAXATION (CONTINUED)

(c) Other items

HK$ million	**2011**	2010
Amortisation:		
- lease prepayments	**8**	9
- intangible assets	**28**	18
Depreciation	**357**	249
Net write-down / (reversal of write-down) of inventories	**31**	(4)
Impairment losses on:		
- property, plant and equipment	**36**	74
- intangible assets	**–**	3
- goodwill	**–**	29
- lease prepayments	**–**	1
- trade debtors	**–**	1
- other receivables	**8**	–
Net loss on realised foreign currency forward contracts	**44**	54
Net fair value loss on interest rate swaps	**–**	3
Auditors' remuneration	**35**	22
Operating lease charges in respect of properties	**429**	359
Rental income from investment properties less direct outgoings of HK$17 million (2010: HK$16 million)	**(41)**	(37)

(d) Net gain on property re-classified as asset held for sale

In December 2011, the Group disposed of an investment property situated in Hong Kong at a consideration of HK$195 million, which had been re-classified as asset held for sale at 30 June 2011 with a carrying amount of HK$112 million (Note 14(a)). After netting off the direct expenses, a net gain of HK$81 million was recognised in the consolidated income statement for the year ended 31 December 2011 in this regard.

(e) Net gain on disposal of land and buildings held for own use

In August 2010, the Group disposed of a property held for own use situated in Hong Kong at a consideration of HK$124 million and resulted a net gain on disposal of HK$122 million.

8. INCOME TAX

Hong Kong Profits Tax is calculated at 16.5% (2010: 16.5%) on the estimated assessable profits for the year. Taxation outside Hong Kong is calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

(a) Income tax charge represents:

HK$ million	**2011**	2010 (restated)
Current income tax – Hong Kong Profits Tax		
- Provision for the year	**89**	87
- (Over) / under-provision in previous years	**(1)**	4
	88	91
Current income tax – Outside Hong Kong		
- Provision for the year	**433**	256
- Under-provision in previous years	**3**	3
	436	259
Deferred tax		
- Origination and reversal of temporary differences	**(79)**	(34)
- Recognition of deferred tax liabilities of undistributed profits (Note *(ii)*)	**38**	1
- De-recognition of deferred tax assets (Note *(iii)*)	**8**	21
- Effect of change in tax rate (Note *(iv)*)	**(11)**	–
	(44)	(12)
Withholding tax	**18**	3
Total	**498**	341

Notes:

(i) Current tax recoverable and current tax payable in the balance sheet is expected to be recovered / settled within one year.

(ii) During the year ended 31 December 2011, the directors have determined that the undistributed profits of the subsidiaries in Japan will be repatriated to Hong Kong in the foreseeable future. Accordingly, deferred tax liabilities of HK$37 million were recognised at 31 December 2011 in respect of the tax payable upon the eventual distribution of the undistributed profits.

(iii) Based on the latest available information at 31 December 2011, the directors were of the opinion that the utilisation of the tax losses of a subsidiary brought forward from previous years may not be probable in the foreseeable future. Accordingly, all the corresponding deferred tax assets of HK$8 million (2010: HK$21 million) were derecognised during the year.

(iv) In November 2011, the Japan Government enacted a change in the corporate tax rate so that the income tax rate will be reduced from 40.69% to 38.01% for the fiscal year 2012/13 to 2014/15, and further reduced to 35.64% starting from the fiscal year 2015/16.

Notes to the Financial Statements

8. INCOME TAX (CONTINUED)

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

HK$ million	**2011**	2010 (restated)
Profit before taxation	**1,863**	1,797
Tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**390**	343
Effect of change in tax rate	**(11)**	–
Tax effect of non-deductible expenses	**61**	51
Tax effect of non-taxable income	**(70)**	(112)
Tax effect of utilisation of previously unrecognised tax losses	**(8)**	(10)
Tax effect of unused tax losses not recognised	**68**	40
Tax effect of unrecognised temporary differences	**2**	(3)
Recognition of deferred tax liabilities of undistributed profits	**38**	1
Withholding tax	**18**	3
De-recognition of deferred tax assets in respect of previous years' tax losses	**8**	21
Under-provision in previous years	**2**	7
Income tax charge	**498**	341

9. DIRECTORS' REMUNERATION

Directors' remuneration for the year ended 31 December 2011 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	–	2,942	12,440	194	15,576
Chu Hon Fai	–	2,563	4,920	171	7,654
Yip Moon Tong	–	1,729	9,870	163	11,762
Mak Kwing Tim	–	1,684	7,740	157	9,581
Lau Sei Keung	–	1,599	7,280	151	9,030
Tsoi Tai Kwan, Arthur	–	1,626	3,690	151	5,467
Glenn Robert Sturrock Smith	–	2,445	2,990	76	5,511
Wai King Fai, Francis	–	1,690	3,120	12	4,822
Non-executive directors					
Kwok Man Leung	–	–	–	–	–
Yin Ke	180	–	–	–	180
Fei Yiping	–	–	–	–	–
Independent non-executive directors					
Cheung Kin Piu, Valiant	180	150	–	–	330
Hsu Hsung, Adolf	180	150	–	–	330
Yeung Yue Man	180	150	–	–	330
Total	720	16,728	52,050	1,075	70,573

Notes to the Financial Statements

9. DIRECTORS' REMUNERATION (CONTINUED)

Directors' remuneration for the year ended 31 December 2010 is set out below:

HK$ thousand	Directors' fees	Salaries, allowances and other benefits	Discretionary bonuses	Contributions to defined contribution retirement schemes	Sub-total	Share-based payments (Note)	Total
Executive directors							
Hui Ying Bun	120	2,132	10,980	187	13,419	2,393	15,812
Chu Hon Fai	120	1,776	4,790	165	6,851	1,929	8,780
Yip Moon Tong	120	1,725	7,990	157	9,992	1,929	11,921
Mak Kwing Tim	120	1,657	6,160	151	8,088	1,463	9,551
Lau Sei Keung	120	1,570	6,000	145	7,835	1,463	9,298
Tsoi Tai Kwan, Arthur	120	1,597	2,850	145	4,712	1,463	6,175
Glenn Robert Sturrock Smith	120	2,475	2,200	73	4,868	1,463	6,331
Wai King Fai, Francis	120	1,652	2,780	12	4,564	1,197	5,761
Non-executive directors							
Kwok Man Leung	120	40	–	–	160	–	160
Yin Ke	120	–	–	–	120	–	120
Fei Yiping	120	–	–	–	120	–	120
Independent non-executive directors							
Cheung Kin Piu, Valiant	120	120	–	–	240	–	240
Hsu Hsung, Adolf	120	120	–	–	240	–	240
Yeung Yue Man	120	120	–	–	240	–	240
Total	1,680	14,984	43,750	1,035	61,449	13,300	74,749

Note: Details of the share option schemes are set out in note 29.

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals of the Group for the years ended 31 December 2010 and 2011 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$430 million (2010 restated: HK$543 million) which has been dealt with in the financial statements of the Company.

12. DIVIDENDS

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

HK$ million	**2011**	2010
Interim dividend declared and paid of 14.30 HK cents (2010: 10.68 HK cents) per share	**260**	192
Final dividend proposed after the balance sheet date of 12.74 HK cents (2010: 12.77 HK cents) per share	**232**	232
Total	**492**	424

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	**2011**	2010
Final dividend approved and paid of 12.77 HK cents (2010: 11.29 HK cents) per share	**232**	203

Notes to the Financial Statements

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$1,323 million (2010 restated: HK$1,422 million) and the weighted average number of 1,819,064,603 ordinary shares (2010: 1,801,403,329 ordinary shares) in issue during the year which is calculated as follows:

	Number of ordinary shares	
	2011	2010
Issued ordinary shares at 1 January	**1,814,508,000**	1,797,833,000
Effect of share options exercised	**4,556,603**	3,570,329
Weighted average number of ordinary shares	**1,819,064,603**	1,801,403,329

(b) Diluted earnings per share

The diluted earnings per share is based on the profit attributable to shareholders of the Company of HK$1,323 million (2010 restated: HK$1,422 million) and the weighted average number of 1,827,301,514 ordinary shares (diluted) (2010: 1,809,877,019 ordinary shares (diluted)) which is calculated as follows:

	Number of ordinary shares	
	2011	2010
Weighted average number of ordinary shares (Note 13(a))	**1,819,064,603**	1,801,403,329
Effect of deemed issue of shares under the Company's share option schemes	**8,236,911**	8,473,690
Weighted average number of ordinary shares (diluted)	**1,827,301,514**	1,809,877,019

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(e)		14(f)			
Cost or valuation:						
At 1 January 2011	**1,527**	**143**	**1,920**	**3,590**	**704**	**4,294**
Exchange adjustments	**55**	**6**	**41**	**102**	**23**	**125**
Additions	**284**	**218**	**656**	**1,158**	**–**	**1,158**
Acquisition of subsidiaries (Note 32(c))	**58**	**11**	**204**	**273**	**–**	**273**
Transfer from asset held for sale (Note 23)	**–**	**–**	**–**	**–**	**300**	**300**
Transfer to asset held for sale (Note 7(d))	**–**	**–**	**–**	**–**	**(112)**	**(112)**
Transfer to inventories (Note 14(c))	**–**	**–**	**(30)**	**(30)**	**–**	**(30)**
Reclassification (Note 14(d))	**262**	**(270)**	**22**	**14**	**(14)**	**–**
Disposals	**(3)**	**–**	**(135)**	**(138)**	**(39)**	**(177)**
Net gain on remeasurement of other investment properties	**–**	**–**	**–**	**–**	**13**	**13**
At 31 December 2011	**2,183**	**108**	**2,678**	**4,969**	**875**	**5,844**
Representing:						
Cost	**2,183**	**108**	**2,678**	**4,969**	**–**	**4,969**
Valuation	**–**	**–**	**–**	**–**	**875**	**875**
At 31 December 2011	**2,183**	**108**	**2,678**	**4,969**	**875**	**5,844**
Accumulated depreciation and impairment:						
At 1 January 2011	**405**	**–**	**1,070**	**1,475**	**–**	**1,475**
Exchange adjustments	**15**	**–**	**19**	**34**	**–**	**34**
Charge for the year	**74**	**–**	**283**	**357**	**–**	**357**
Impairment loss (Note 14(j))	**–**	**–**	**36**	**36**	**–**	**36**
Acquisition of subsidiaries (Note 32(c))	**11**	**–**	**88**	**99**	**–**	**99**
Transfer to inventories (Note 14(c))	**–**	**–**	**(25)**	**(25)**	**–**	**(25)**
Written back on disposals	**–**	**–**	**(77)**	**(77)**	**–**	**(77)**
At 31 December 2011	**505**	**–**	**1,394**	**1,899**	**–**	**1,899**
Net book value:						
At 31 December 2011	**1,678**	**108**	**1,284**	**3,070**	**875**	**3,945**

Notes to the Financial Statements

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(e)		14(f)			
Cost or valuation:						
At 1 January 2010	1,258	123	1,605	2,986	808	3,794
Exchange adjustments	54	4	33	91	55	146
Additions	67	204	383	654	–	654
Transfer to asset held for sale (Note 23)	–	–	–	–	(189)	(189)
Transfer to inventories (Note 14(c))	–	–	(27)	(27)	–	(27)
Reclassification	149	(188)	39	–	–	–
Disposals	(1)	–	(113)	(114)	–	(114)
Net gain on remeasurement	–	–	–	–	30	30
At 31 December 2010	1,527	143	1,920	3,590	704	4,294
Representing:						
Cost	1,527	143	1,920	3,590	–	3,590
Valuation	–	–	–	–	704	704
At 31 December 2010	1,527	143	1,920	3,590	704	4,294
Accumulated depreciation and impairment:						
At 1 January 2010	273	–	950	1,223	–	1,223
Exchange adjustments	13	–	14	27	–	27
Charge for the year	60	–	189	249	–	249
Impairment loss (Note 14(j))	59	–	15	74	–	74
Transfer to inventories (Note 14(c))	–	–	(23)	(23)	–	(23)
Written back on disposals	–	–	(75)	(75)	–	(75)
At 31 December 2010	405	–	1,070	1,475	–	1,475
Net book value:						
At 31 December 2010	1,122	143	850	2,115	704	2,819

14. FIXED ASSETS (CONTINUED)

(b) Company

HK$ million	Investment properties **2011**	2010
At valuation:		
At 1 January	**128**	118
Net gain on remeasurement	**31**	10
At 31 December	**159**	128

(c) During the year ended 31 December 2011, certain motor vehicles with carrying amount of HK$5 million (2010: HK$4 million) were transferred to inventories when they ceased to be rented.

(d) During the year ended 31 December 2011, a property with carrying amount of HK$14 million was transferred from investment property to land and buildings held for own use following the Group's plan to use the property as its own retail outlet.

(e) The net book value of land and buildings held for own use under finance lease was HK$137 million at 31 December 2011 (2010: HK$140 million).

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

(g) Properties valuations

All investment properties of the Group and the Company were revalued at 31 December 2011 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	Network Real Estate Appraisal Co Ltd

Notes to the Financial Statements

14. FIXED ASSETS (CONTINUED)

(h) An analysis of net book value of properties is as follows:

	Group		Company	
HK$ million	**2011**	2010	**2011**	2010
Investment properties				
In Hong Kong:				
- Long term lease	**413**	221	**–**	–
- Medium term lease	**–**	–	**159**	128
Outside Hong Kong:				
- Freehold properties	**415**	439	**–**	–
- Medium term lease	**47**	44	**–**	–
At 31 December	**875**	704	**159**	128

	Group	
HK$ million	**2011**	2010
Land and buildings held for own use		
In Hong Kong:		
- Long term lease	**19**	5
- Medium term lease	**252**	155
- Short term lease	**5**	9
Outside Hong Kong:		
- Freehold properties	**56**	55
- Medium term lease	**1,234**	825
- Short term lease	**112**	73
At 31 December	**1,678**	1,122

(i) Certain buildings situated in mainland China with an aggregate net book value of HK$529 million at 31 December 2011 (2010: HK$336 million) were 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.

(j) During the year ended 31 December 2011, the recoverable amount of fixed assets had been assessed. With reference to the recent observable market, the carrying amount of certain fixed assets was written down by HK$36 million (2010: HK$74 million).

14. FIXED ASSETS (CONTINUED)

(k) 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. The operating lease rentals of certain properties contain a contingent rental element which is based on tenants' turnover. The Group's total future minimum lease income under non-cancellable operating leases are receivable as follows:

	Group	
HK$ million	**2011**	2010
Within 1 year	**95**	79
After 1 year but within 5 years	**94**	82
After 5 years	**49**	6
At 31 December	**238**	167

15. LEASE PREPAYMENTS

	Group	
HK$ million	**2011**	2010
Cost:		
At 1 January	**334**	341
Exchange adjustments	**14**	16
Additions	**74**	–
Acquisition of subsidiaries (Note 32(c))	**6**	–
Disposals	**(3)**	(23)
At 31 December	**425**	334
Accumulated amortisation and impairment:		
At 1 January	**35**	26
Exchange adjustments	**1**	1
Charge for the year	**8**	9
Impairment loss	**–**	1
Written back on disposals	**(1)**	(2)
At 31 December	**43**	35
Net book value:		
At 31 December	**382**	299

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

	Group	
HK$ million	**2011**	2010
Outside Hong Kong – medium term lease	**382**	299

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

Notes to the Financial Statements

16. INTANGIBLE ASSETS

Group

HK$ million	Car dealerships	Others	Total
Cost:			
At 1 January 2011	**293**	**29**	**322**
Exchange adjustments	**20**	**1**	**21**
Acquisition of subsidiaries (Note 32(c))	**398**	**34**	**432**
Additions	**18**	**–**	**18**
At 31 December 2011	**729**	**64**	**793**
Accumulated amortisation and impairment:			
At 1 January 2011	**42**	**10**	**52**
Exchange adjustments	**3**	**–**	**3**
Charge for the year	**24**	**4**	**28**
At 31 December 2011	**69**	**14**	**83**
Net book value:			
At 31 December 2011	**660**	**50**	**710**

HK$ million	Car dealerships	Others	Total
Cost:			
At 1 January 2010	265	28	293
Exchange adjustments	11	1	12
Additions	17	–	17
At 31 December 2010	293	29	322
Accumulated amortisation and impairment:			
At 1 January 2010	27	3	30
Exchange adjustments	1	–	1
Charge for the year	14	4	18
Impairment loss	–	3	3
At 31 December 2010	42	10	52
Net book value:			
At 31 December 2010	251	19	270

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

17. GOODWILL

HK$ million	Group 2011	2010
Cost:		
At 1 January	**289**	287
Exchange adjustments	**3**	2
Acquisition of subsidiaries (Note 32(c))	**84**	–
At 31 December	**376**	289
Accumulated impairment:		
At 1 January	**29**	–
Impairment loss	**–**	29
At 31 December	**29**	29
Carrying amount:		
At 31 December	**347**	260

Impairment tests for goodwill

The carrying amount of goodwill is allocated to the Group's CGU identified as follows:

HK$ million		2011	2010
Motor and Motor Related Business	- Mainland China	**153**	88
Food and Consumer Products Business	- Hong Kong & Macao	**192**	170
	- Mainland China	**2**	2
		347	260

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 is 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 17% to 20% (2010: 17% to 21%).

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

During the year ended 31 December 2010, the electrical appliances manufacturing business in mainland China was affected by the weak demand in Europe and the US after the global financial crisis. As such, the Group recognised a goodwill impairment loss of HK$29 million which was determined with reference to the recoverable amount of such CGU.

Notes to the Financial Statements

18. INTEREST IN SUBSIDIARIES

HK$ million	Company 2011	2010
Unlisted investments, at cost	**19**	19
Amounts due from subsidiaries	**3,213**	2,532
At 31 December	**3,232**	2,551

The amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed repayment term, except for an amount of HK$2,245 million (2010: HK$1,614 million) which is interest bearing at 1 week HIBOR per annum and an amount of HK$84 million (2010: HK$84 million) is recoverable after one year upon request.

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

19. INTEREST IN ASSOCIATES

HK$ million	Group 2011	2010
Share of net assets at 31 December	**228**	203

(a) Particulars of associates

The following are the principal associates of the Group which, in the opinion of the directors, principally affect the results or 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 associates	Place of incorporation / establishment / operation	Issued share capital / paid-up capital	Effective percentage of equity interest held	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	Production of beverage
上海雙匯大昌有限公司 (Shanghai Shineway DCH Co., Ltd.) (Note (ii))	The People's Republic of China	RMB194,750,000	26.04	Production and sales of meat and related food products
Lubritech International Holdings Limited ("Lubritech") (Note (iii))	Hong Kong	HK$168,000,000	40.00	Investment holding

Notes:

(i) The above associates are indirectly held by the Company.

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

(iii) Lubritech and its subsidiary are engaged in lubrication oil blending business.

19. INTEREST IN ASSOCIATES (CONTINUED)

(b) Summary of financial information on associates

HK$ million	**2011**	2010
Assets	**1,202**	960
Liabilities	**(223)**	(108)
Turnover	**1,017**	1,089
Profit after taxation	**24**	81

20. INTEREST IN JOINTLY CONTROLLED ENTITIES

	Group	
HK$ million	**2011**	2010
Share of net assets	**194**	301
Goodwill	**1**	8
Amount due from a jointly controlled entity	**44**	47
At 31 December	**239**	356

Notes:

(i) Shenzhen Shenye Shiye Limited
In January 2010, the Group acquired 50% interest in 深圳市深業實業有限公司 (Shenzhen Shenye Shiye Limited) ("Shenye") at a consideration of RMB126.5 million (approximately HK$144 million). The fair value of net assets and intangible assets acquired were HK$71.8 million and HK$65.3 million respectively. The acquisition resulted in a recognition of goodwill of HK$7.3 million.

On 1 January 2011, the Group gained control over Shenye through obtaining a casting vote in all shareholders' meetings as stated in the equity transfer agreement with no further transfer of consideration. As a result, Shenye and its subsidiaries ("Shenye Group") changed from jointly controlled entities to subsidiaries of the Group (Note 32).

(ii) Shiseido Dah Chong Hong Cosmetics Limited
In July 2010, the Group disposed of its entire 50% interest in Shiseido Dah Chong Hong Cosmetics Limited to Shiseido Company, Limited, at a consideration of HK$500 million. The transaction resulted in a gain on disposal of HK$331 million.

Notes to the Financial Statements

20. INTEREST IN JOINTLY CONTROLLED ENTITIES (CONTINUED)

(a) Particulars of jointly controlled entities

The following are the principal jointly controlled entities of the Group which, in the opinion of the directors, principally affect the results or 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 entities	Place of establishment / operation	Paid-up capital	Effective percentage of equity interest held	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	RMB120,000,000	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	RMB4,000,000	24.50	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 (ii))	The People's Republic of China	RMB4,000,000	24.50	Manufacture and distribution of air cargo equipment and related spare parts
北京北汽眾運汽車貿易有限公司 (Beijing Beiqi Zhongyun Motor Trading Co., Ltd.) (Note (ii))	The People's Republic of China	RMB28,000,000	50.00	Property investment
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) (Note (ii))	The People's Republic of China	RMB19,220,000	50.00	Sales of used motor vehicles and provision of after sales services

Notes:

(i) The above jointly controlled entities are indirectly held by the Company.

(ii) 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	2011	2010
Non-current assets	**181**	268
Current assets	**213**	553
Current liabilities	**(178)**	(496)
Non-current liability	**(22)**	(24)
Net assets	**194**	301
Income	**487**	2,034
Expenses	**(457)**	(1,969)
Profit before taxation	**30**	65
Income tax	**(7)**	(15)
Profit after taxation	**23**	50
Share of jointly controlled entities' capital commitments		
- Authorised but not contracted for	**–**	33
- Contracted but not provided for	**–**	4

21. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
HK$ million	**2011**	2010
Unlisted investments at 31 December	**8**	8

Notes to the Financial Statements

22. INVENTORIES

(a) Inventories in the consolidated balance sheet represent:

HK$ million	Group **2011**	2010
Finished goods	**5,995**	3,581
Raw materials	**40**	27
Work-in-progress	**21**	34
At 31 December	**6,056**	3,642

(b) The analysis of the amount of inventories recognised as cost of sales is as follows:

HK$ million	Group **2011**	2010
Carrying amount of inventories sold	**38,849**	26,936
Write-down of inventories	**55**	22
Reversal of write-down of inventories	**(24)**	(26)
Total	**38,880**	26,932

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.

23. ASSET HELD FOR SALE

At 31 December 2010, an investment property situated in Hong Kong with a carrying amount of HK$189 million (Note 14(a)) was re-classified as asset held for sale. Following the change of the Group's plan to dispose of the property, it was transferred from asset held for sale to investment properties in current year. At the time of transfer, the carrying amount of the property was HK$300 million (Note 14(a)) and a gain on remeasurement of HK$111 million was recognised in the consolidated income statement.

24. TRADE AND OTHER RECEIVABLES

HK$ million	Note	Group 2011	Group 2010	Company 2011	Company 2010
Trade debtors and bills receivable		**2,855**	2,107	**–**	–
Less: provision for impairment of doubtful debts	24(b)	**(65)**	(64)	**–**	–
		2,790	2,043	**–**	–
Other receivables, deposits and prepayments		**2,822**	2,290	**1**	1
Amounts due from subsidiaries	24(e)	**–**	–	**1,862**	1,106
Amounts due from fellow subsidiaries	24(d)	**4**	2	**–**	–
Amounts due from associates	24(d)	**7**	7	**–**	–
Amounts due from jointly controlled entities	24(d)	**167**	176	**–**	–
Amounts due from holders of non-controlling interests	24(d)	**6**	2	**–**	–
Loan to a holder of non-controlling interests	24(f)	**111**	–	**–**	–
Loan to a shareholder of a jointly controlled entity	24(f)	**–**	106	**–**	–
Derivative financial instruments		**2**	8	**–**	–
At 31 December		**5,909**	4,634	**1,863**	1,107

The amount of the Group's trade and other receivables expected to be recovered after more than one year was HK$81 million at 31 December 2011 (2010: HK$52 million). The remaining balances of trade and other receivables are expected to be recovered within one year.

Notes to the Financial Statements

24. TRADE AND OTHER RECEIVABLES (CONTINUED)

(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 of doubtful debts) is as follows:

	Group	
HK$ million	**2011**	2010
Within 3 months	**2,697**	1,968
More than 3 months but within 1 year	**87**	70
Over 1 year	**6**	5
At 31 December	**2,790**	2,043

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

Reportable 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

(b) Impairment of trade debtors and bills receivable

The movement in the provision for impairment of doubtful debts during the year is as follows:

	Group	
HK$ million	**2011**	2010
At 1 January	**64**	61
Exchange adjustments	**2**	3
Impairment loss provided	**–**	1
Uncollectible amounts written off	**(1)**	(1)
At 31 December	**65**	64

At 31 December 2011, there were certain trade debtors at a carrying amount of HK$65 million (2010: HK$64 million) which were in financial difficulties and individually determined to be impaired. Consequently, provision for such amount was recognised at the end of the reporting period.

24. TRADE AND OTHER RECEIVABLES (CONTINUED)

(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 were balances with a carrying amount of HK$144 million at 31 December 2011 (2010: HK$82 million) which were past due over 1 month 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 at the balance sheet date is as follows:

	Group	
HK$ million	**2011**	2010
Overdue for 1 to 3 months	**104**	61
Overdue for more than 3 months but within 1 year	**36**	17
Overdue over 1 year	**4**	4
At 31 December	**144**	82

(d) The amounts due from fellow subsidiaries, associates, jointly controlled entities and holders of non-controlling interests of the Group are unsecured, non-interest bearing and recoverable on demand.

(e) The amounts due from subsidiaries of the Company are unsecured, non-interest bearing and recoverable on demand, except for an amount of HK$1,493 million (2010: HK$885 million) which is interest bearing at 1 week HIBOR per annum for the years ended 31 December 2010 and 2011.

(f) On 1 January 2011, the Group gained control over Shenye Group which was changed from jointly controlled entities to subsidiaries of the Group since then (Note 20(i)).

At 31 December 2011, the Group had a loan to a shareholder of Shenye Group of HK$111 million (2010: HK$106 million). The loan is secured by equity interest in Shenye Group, interest bearing at 6.06% per annum (2010: 4.86% per annum) and recoverable within one year.

Notes to the Financial Statements

25. CASH AND CASH EQUIVALENTS

The analysis of cash and cash equivalents is as follows:

		Group		Company	
HK$ million	Note	**2011**	2010	**2011**	2010
Cash and bank deposits		**2,854**	1,991	**68**	141
Less:					
Bank deposits with maturity over three months from date of deposit		**(12)**	(3)	**–**	–
Pledged deposits	26(d)	**(456)**	(314)	**–**	–
Bank overdrafts	26(b)	**(11)**	(2)	**–**	–
At 31 December		**2,375**	1,672	**68**	141

Included in cash and cash equivalents of the Group, HK$1,860 million (2010: HK$1,068 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 government of the People's Republic of China.

26. BORROWINGS

		Group		Company	
HK$ million	Note	**2011**	2010	**2011**	2010
Bank loans and overdrafts	26(a) and (b)	**5,595**	3,135	**2,360**	885
Other loans	26(c)	**189**	167	**–**	–
At 31 December		**5,784**	3,302	**2,360**	885

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

	Group		Company	
HK$ million	**2011**	2010	**2011**	2010
Within 1 year or on demand	**3,575**	2,410	**340**	160
After 1 year but within 2 years	**525**	200	**525**	200
After 2 years but within 5 years	**1,495**	525	**1,495**	525
	2,020	725	**2,020**	725
At 31 December	**5,595**	3,135	**2,360**	885

26. BORROWINGS (CONTINUED)

(b) Analysis of the bank loans and overdrafts are as follows:

		Group		Company	
HK$ million	Note	**2011**	2010	**2011**	2010
Bank overdrafts					
- unsecured	25	**11**	2	**–**	–
Bank loans					
- secured		**757**	426	**–**	–
- unsecured		**4,827**	2,707	**2,360**	885
		5,584	3,133	**2,360**	885
At 31 December		**5,595**	3,135	**2,360**	885

(c) Other loans are secured by inventories and other deposits and repayable within one year or on sales of designated inventories.

Certain other loans are secured by personal and corporate guarantees granted by holders of non-controlling interests.

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

HK$ million	Note	**2011**	2010
Bank deposits	25	**456**	314
Trade and other receivables		**397**	268
Inventories		**715**	284
Property, plant and equipment		**41**	197
Lease prepayments		**–**	92
At 31 December		**1,609**	1,155

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. At 31 December 2010 and 2011, none of the covenants relating to drawn down facilities had been breached (Note 31(k)).

Notes to the Financial Statements

27. TRADE AND OTHER PAYABLES

		Group		Company	
HK$ million	Note	**2011**	2010	**2011**	2010
Trade creditors and bills payable	27(a)	**2,691**	1,793	**–**	–
Other payables and accrued charges		**3,019**	2,009	**14**	9
Provision for product rectification	28	**41**	56	**–**	–
Amounts due to subsidiaries	27(c)	**–**	–	**149**	209
Amounts due to associates	27(b)	**25**	1	**–**	–
Amounts due to jointly controlled entities	27(b)	**10**	15	**–**	–
Amounts due to holders of non-controlling interests	27(b)	**240**	112	**–**	–
Derivative financial instruments		**66**	18	**3**	3
At 31 December		**6,092**	4,004	**166**	221

Apart from certain trade and other payables of the Group at 31 December 2011 of HK$30 million (2010: HK$50 million), 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:

	Group	
HK$ million	**2011**	2010
Current or within 1 month	**2,608**	1,721
More than 1 month but within 3 months	**56**	55
More than 3 months but within 6 months	**14**	9
Over 6 months	**13**	8
At 31 December	**2,691**	1,793

(b) The amounts due to associates, jointly controlled entities and holders of non-controlling interests of the Group are unsecured, non-interest bearing and repayable on demand.

(c) The amounts due to subsidiaries of the Company are unsecured, non-interest bearing and repayable on demand, except for an amount of HK$38 million (2010: HK$40 million) which is interest bearing at 1 month HIBOR per annum for the years ended 31 December 2010 and 2011.

28. PROVISION FOR PRODUCT RECTIFICATION

The movement of provision for product rectification is included in trade and other payables (Note 27) as follows:

HK$ million	Group 2011	Group 2010
At 1 January	**56**	46
Exchange adjustments	**–**	1
Additional provisions made	**35**	22
Reversal of provision	**(19)**	–
Provisions utilised	**(31)**	(13)
At 31 December	**41**	56

Under the terms of certain of the Group's sales agreements with customers and service agreements with vehicle manufacturers, the Group agrees to rectify product defects within a period not more than five years from the date of sale. Provision is established to meet liabilities as they fall due and made based on the best estimates of the expected settlements 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 it is probable that an outflow of resources will be required to settle the claim.

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 ("the 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. The Plan 2000 expired on 30 May 2010 whereupon no further share options shall be offered or granted under this plan.

No employment benefit cost or obligation is recognised in the consolidated financial statements for the years ended 31 December 2010 and 2011 in respect of the above-mentioned share options.

(b) CITIC Pacific Share Incentive Plan 2011

As the Plan 2000 expired on 30 May 2010, CITIC Pacific adopted a new plan, the CITIC Pacific Share Incentive Plan 2011 ("the Plan 2011") on 12 May 2011, pursuant to which the board of CITIC Pacific may at its discretion offer to grant share options to any eligible participant including any employee, executive director, non-executive director, independent non-executive director, consultant or representative of any member of CITIC Pacific, its subsidiaries and associated companies.

No share options were granted under the Plan 2011 during the year ended 31 December 2011.

Notes to the Financial Statements

29. EQUITY COMPENSATION BENEFITS (CONTINUED)

(c) Share Option Schemes of the Company

The Company adopted both the Pre-IPO Share Option Scheme ("Pre-IPO Scheme") and the Post-IPO Share Option Scheme ("Post-IPO Scheme") on 28 September 2007 under which the board of the Company may offer share options to any employee, officer or director of the Company or any of its subsidiaries to subscribe for the Company's shares on payment of HK$1 from the grantee for acceptance of the offer. Each option entitles the holder to subscribe for one ordinary share in the Company. All share options granted are fully vested on the date of grant and are then exercisable in whole or in part within 5 years from the date of grant.

Date of grant	Number of share options granted	Exercise price per share	Number of share options outstanding at 31 December	
		HK$	**2011**	2010
Pre-IPO Scheme				
- 3 October 2007	18,000,000	5.880	**3,455,000**	7,425,000
Post-IPO Scheme				
- 7 July 2010	23,400,000	4.766	**13,430,000**	16,100,000

(i) The number and weighted average exercise prices of share options are as follows:

	2011		2010	
	Weighted average exercise price per share	**Number of share options**	Weighted average exercise price per share	Number of share options
	HK$	('000)	HK$	('000)
Outstanding at 1 January	**5.118**	**23,525**	5.880	16,900
Granted during the year	–	–	4.766	23,400
Exercised during the year	**5.432**	**(6,640)**	5.392	(16,675)
Lapsed during the year	–	–	5.880	(100)
Outstanding at 31 December	**4.994**	**16,885**	5.118	23,525

The weighted average share price at the date of exercise of the share options during the year was HK$8.848 (2010: HK$8.708).

The share options outstanding at 31 December 2010 and 2011 are all exercisable with an exercise price of HK$5.880 or HK$4.766 per share and a weighted average remaining life of 3.0 years (2010: 3.6 years).

29. EQUITY COMPENSATION BENEFITS (CONTINUED)

(c) Share Option Schemes of the Company (continued)

(ii) Fair value of share options and assumptions

The fair value of the share options granted under the Post-IPO Scheme measured at the date of grant of 7 July 2010 was HK$1.33 per share based on the following assumptions using the Binomial Lattice Model:

- Share price at the grant date	HK$4.610
- Exercise price	HK$4.766
- Expected volatility of the Company's share price per annum	45%
- Expected average share option life	3.8 years
- Expected dividend yield per annum	3%
- Risk-free interest rate per annum (based on Hong Kong Exchange Fund Notes)	1.15%

The expected volatility and dividend yield are based on historical volatility and dividend yields. Changes in the above assumptions could materially affect the share options' fair value estimate.

Notes to the Financial Statements

30. DEFERRED TAX ASSETS AND LIABILITIES

(a) Deferred tax assets and liabilities recognised

Group

The components of deferred tax (assets) / liabilities recognised in the consolidated balance sheet and the movement 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	Total
At 1 January 2010, as previously reported	60	47	139	(35)	(64)	17	164
Effect of adoption of amendments to HKAS 12 (Note 1(b))	–	–	(52)	–	19	–	(33)
At 1 January 2010, restated	60	47	87	(35)	(45)	17	131
Exchange adjustments	5	2	10	(4)	–	1	14
Charged / (credited) to the consolidated income statement, restated (Note 8(a))	1	(18)	(13)	(8)	25	1	(12)
At 31 December 2010, restated	66	31	84	(47)	(20)	19	133
At 1 January 2011, as previously reported	**66**	**31**	**146**	**(47)**	**(38)**	**19**	**177**
Effect of adoption of amendments to HKAS 12 (Note 1(b))	**–**	**–**	**(62)**	**–**	**18**	**–**	**(44)**
At 1 January 2011, restated	**66**	**31**	**84**	**(47)**	**(20)**	**19**	**133**
Exchange adjustments	**2**	**2**	**3**	**(2)**	**–**	**–**	**5**
Acquisition of subsidiaries (Note 32(c))	**–**	**73**	**–**	**–**	**–**	**–**	**73**
Charged / (credited) to the consolidated income statement (Note 8(a))	**(1)**	**(3)**	**(26)**	**(62)**	**10**	**38**	**(44)**
At 31 December 2011	**67**	**103**	**61**	**(111)**	**(10)**	**57**	**167**

30. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

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

Group

Represented by:

HK$ million	**At 31 December 2011**	At 31 December 2010 (restated)	At 1 January 2010 (restated)
Deferred tax assets	**(103)**	(46)	(40)
Deferred tax liabilities	**270**	179	171
	167	133	131

Company

The components of deferred tax liabilities recognised in the balance sheet and the movement during the year are as follows:

HK$ million	**Depreciation allowance in excess of related depreciation**	**Revaluation of investment properties**	**Total**
At 1 January 2010, as previously reported	–	15	15
Effect of adoption of amendments to HKAS 12 (Note 1(b))	–	(15)	(15)
At 1 January 2010, restated and at 31 December 2010, restated	–	–	–
At 1 January 2011, as previously reported	**–**	**8**	**8**
Effect of adoption of amendments to HKAS 12 (Note 1(b))	**–**	**(8)**	**(8)**
At 1 January 2011, restated	**–**	**–**	**–**
Charged to income statement	**1**	**–**	**1**
At 31 December 2011	**1**	**–**	**1**

Notes to the Financial Statements

30. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

(b) Deferred tax assets not recognised

At 31 December 2011, the Group had not recognised deferred tax assets in respect of the cumulative tax losses of HK$949 million (2010 restated: HK$997 million) as utilisation of these tax losses may not be probable. Tax losses in certain tax jurisdictions of HK$513 million (2010: HK$658 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 2011, there were temporary differences of HK$2,422 million (2010: HK$2,193 million) related to the undistributed profits of subsidiaries. Deferred tax liabilities of HK$128 million (2010: HK$245 million) have not been recognised in respect of the tax payable upon the distribution of these undistributed profits as the Company controls the dividend policy of these subsidiaries and it has been determined that these undistributed profits will not be distributed in the foreseeable future.

31. CAPITAL AND RESERVES

(a) Share capital

	2011		2010	
	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	**1,815**	**272**	1,798	270
Shares issued under share option schemes	**6**	**1**	17	2
At 31 December	**1,821**	**273**	1,815	272

(b) Share premium

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

31. CAPITAL AND RESERVES (CONTINUED)

(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 part of their profit after taxation to the general reserve.

For the subsidiaries in mainland China, pursuant to the relevant rules and regulations, 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) Adjustments arising from change in ownership interests in a subsidiary that do not result in a loss of control are included in the general reserve.

(d) Capital reserve

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

(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 unexercised share options granted to employees, officers or directors of the Company or any of its subsidiaries under the Company's Pre-IPO Scheme and Post-IPO 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 changes arising from the revaluation of properties held for own use, upon transfer to investment properties.

Notes to the Financial Statements

31. CAPITAL AND RESERVES (CONTINUED)

(j) Distributable reserves

Excluding the undistributable reserve of HK$75 million (2010: HK$44 million) which represents the cumulative valuation gain on investment properties included in the Company's retained profits, the distributable reserves of the Company at 31 December 2011 were HK$1,291 million (2010 restated: HK$1,384 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 by reference to the net gearing ratio. The net gearing ratio is defined as net debt divided by total capital. Net debt is calculated as total borrowings less cash and bank deposits. Total capital is calculated as shareholders' funds (i.e. total equity attributable to shareholders of the Company) plus net debt.

During 2011, the Group's strategy, which was consistent with 2010, was to maintain the net gearing ratio below 40%.

The net gearing ratios at 31 December 2010 and 2011 are as follows:

		Group	
HK$ million	Note	**2011**	2010 (restated)
Total borrowings	26	**5,784**	3,302
Less: cash and bank deposits	25	**(2,854)**	(1,991)
Net debt		**2,930**	1,311
Shareholders' funds		**7,909**	6,848
Total capital		**10,839**	8,159
Net gearing ratio		**27.0%**	16.1%

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

At 31 December 2010 and 2011, the Group had complied with all of the above financial covenants.

32. BUSINESS COMBINATIONS

(a) During the year ended 31 December 2011, the Group has completed several business acquisitions as follows:

(i) On 1 January 2011, the Group gained control over Shenye through obtaining a casting vote in all shareholders' meetings as stated in the equity transfer agreement with no further transfer of consideration. As a result, Shenye Group changed from jointly controlled entities to subsidiaries of the Group. Shenye Group is engaged in sales of motor vehicles and spare parts, provision of after-sales services and conducting customer surveys for the manufacturers or suppliers.

(ii) In April 2011, the Group acquired a 100% equity interest in Tai Luen Coffee Company Limited ("Tai Luen"). Tai Luen is engaged in coffee roasting, brewing and distribution of coffee, tea and grocery products to tea houses and restaurants in Hong Kong.

(iii) In July 2011, the Group acquired a 100% equity interest in Bayern Gourmet Food Company Limited ("Bayern Gourmet"). Bayern Gourmet is engaged in manufacturing and trading of food products in Hong Kong and Macao.

(iv) In November 2011, the Group acquired a 49% equity interest in Smart Joint Investment Limited and its subsidiaries and together with a 50% equity interest in each of Power Success Management Limited and Smartways Limited and their subsidiaries (collectively known as "Target Group") and the related shareholders' loans. The Target Group is engaged in sales of motor vehicles and spare parts, provision of after-sales services and conducting customer surveys for the manufacturers or suppliers.

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

(b) The total turnover and total loss after taxation contributed by these business acquisitions for the period from their respective dates of acquisition to 31 December 2011 were HK$3,559 million and HK$15 million respectively.

If these business combinations had occurred on 1 January 2011, the Group's turnover and profit for the year would have been approximately HK$47,190 million and HK$1,399 million respectively. These amounts have been calculated by adopting the Group's accounting policies and adjusting the results of the relevant subsidiaries to reflect the additional amortisation and depreciation that would have been charged assuming the fair value adjustments to intangible assets, property, plant and equipment and lease prepayments had been applied from 1 January 2011, together with the consequential tax effects.

Notes to the Financial Statements

32. BUSINESS COMBINATIONS (CONTINUED)

(c) The acquisitions completed during the year ended 31 December 2011 had the following effect on the Group's assets and liabilities on their respective dates of acquisition:

	Motor and Motor Related Business		Food and Consumer Products Business			
HK$ million	Shenye Group	Target Group	Tai Luen	Bayern Gourmet	Others	Total
Property, plant and equipment (Note 14(a))	82	62	9	4	21	178
Lease prepayments (Note 15)	–	–	–	–	6	6
Intangible assets (Note 16)	126	259	10	24	13	432
Inventories	196	177	8	22	21	424
Trade and other receivables	253	58	9	15	7	342
Cash and bank deposits	110	69	4	20	12	215
Trade and other payables	(228)	(217)	(9)	(11)	(37)	(502)
Borrowings	(249)	(85)	–	–	–	(334)
Current tax payable	–	–	–	(2)	–	(2)
Deferred tax liabilities (Note 30(a))	–	(65)	(1)	(4)	(3)	(73)
Less: interest in jointly controlled entities	(155)	–	–	–	(9)	(164)
Less: loss / (gain) on disposal of jointly controlled entities	5	–	–	–	(3)	2
Fair value of net assets acquired	**140**	**258**	**30**	**68**	**28**	**524**
Goodwill (Note 17)	5	53	17	4	5	84
Non-controlling interests arising from acquisition of subsidiaries	(145)	(112)	–	–	–	(257)
Total consideration	–	199	47	72	33	351
Less: consideration payable	–	–	(4)	–	–	(4)
Less: consideration satisfied by property, plant and equipment (Note 14(a))	–	–	–	–	(4)	(4)
Consideration paid, satisfied in cash	–	199	43	72	29	343
Less: cash acquired	(110)	(69)	(4)	(20)	(12)	(215)
Net cash (inflow) / outflow	**(110)**	**130**	**39**	**52**	**17**	**128**

The goodwill is attributable mainly to the benefit of skills and technical talents of the acquired business' work force and the synergies expected to be achieved from integrating the entities into the Group's existing businesses. None of the goodwill recognised is expected to be deductible for income tax purposes.

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

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

(a) Credit risk

The Group's credit risk is primarily attributable to cash and bank deposits, trade and other receivables, and derivative financial instruments entered into for hedging purposes. The Group 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 derivative financial instruments are with counter parties with sound credit ratings and the Group does not expect any significant credit risk.

Except for the financial guarantees given by the Company as set out in note 35, the Group or the Company does not provide any other guarantee 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 their liquidity requirements.

Notes to the Financial Statements

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 periods at the balance sheet date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest payments computed based on contractual rates or, for floating rates, based on current rates ruling at the balance sheet date):

Group

HK$ million	2011 Total	2011 Within 1 year or on demand	2011 More than 1 year but within 2 years	2011 More than 2 years but within 5 years	2010 Total	2010 Within 1 year or on demand	2010 More than 1 year but within 2 years	2010 More than 2 years but within 5 years
Borrowings	**(6,150)**	**(4,068)**	**(565)**	**(1,517)**	(3,536)	(2,790)	(214)	(532)
Trade and other payables	**(6,092)**	**(6,092)**	**–**	**–**	(4,004)	(4,004)	–	–
	(12,242)	**(10,160)**	**(565)**	**(1,517)**	(7,540)	(6,794)	(214)	(532)
Derivatives settled gross:								
Foreign currency forward contracts:								
- outflow	**(2,882)**	**(2,882)**	**–**	**–**	(1,418)	(1,418)	–	–
- inflow	**2,812**	**2,812**	**–**	**–**	1,406	1,406	–	–
	(70)	**(70)**	**–**	**–**	(12)	(12)	–	–

Company

HK$ million	2011 Total	2011 Within 1 year or on demand	2011 More than 1 year but within 2 years	2011 More than 2 years but within 5 years	2010 Total	2010 Within 1 year or on demand	2010 More than 1 year but within 2 years	2010 More than 2 years but within 5 years
Borrowings	**(2,471)**	**(389)**	**(565)**	**(1,517)**	(921)	(175)	(214)	(532)
Trade and other payables	**(166)**	**(166)**	**–**	**–**	(221)	(221)	–	–
	(2,637)	**(555)**	**(565)**	**(1,517)**	(1,142)	(396)	(214)	(532)
Financial guarantees issued:								
Maximum amount guaranteed (Note 35)	**(3,240)**	**(3,226)**	**(12)**	**(2)**	(2,567)	(2,547)	(18)	(2)

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 and the Group's cash flow pattern. 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 2011, the Group and the Company had outstanding interest rate swaps with a notional contract amount of HK$625 million (2010: HK$225 million) to reduce the impact of interest rate fluctuation on the unsecured bank borrowings of HK$2,225 million (2010: HK$825 million). The swaps will mature in 2012 and 2013 and have fixed swap rates ranging from 2.05% to 3.88% per annum (2010: 2.71% to 3.06% per annum). At 31 December 2011, the Group recognised the fair value of outstanding interest rate swaps of HK$3 million liabilities (2010: HK$3 million liabilities) as derivative financial instruments.

Sensitivity analysis

At 31 December 2011, 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$26 million (2010: HK$11 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 analysis is performed on the same basis for 2010.

Notes to the Financial Statements

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(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. All of the foreign currency forward contracts have maturities of less than one year after the balance sheet date. At 31 December 2011, the Group had foreign currency forward contracts hedging forecast transactions with a fair value of HK$61 million liabilities (2010: HK$7 million liabilities) recognised as derivative financial instruments.

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

	2011					
in million	United States dollars	Renminbi	Euros	Japanese Yen	Pound Sterling	Hong Kong dollars
Trade and other receivables	9	32	–	307	5	–
Cash and bank deposits	7	22	2	206	–	42
Borrowings	(1)	–	–	–	–	–
Trade and other payables	(21)	(10)	(1)	(662)	–	–
Net exposure arising from recognised assets and liabilities	(6)	44	1	(149)	5	42
Highly probable forecast purchases	(5)	–	(9)	(4,683)	(305)	–
Notional amounts of foreign currency forward contracts	4	–	6	1,496	172	–
Net exposure arising from forecast transactions	(1)	–	(3)	(3,187)	(133)	–
Overall net exposure	(7)	44	(2)	(3,336)	(128)	42

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(d) Currency risk (continued)

Group (continued)

	2010					
in million	United States dollars	Renminbi	Euros	Japanese Yen	Pound Sterling	Hong Kong dollars
Trade and other receivables	8	19	–	645	2	–
Cash and bank deposits	12	1	1	471	–	60
Borrowings	(2)	–	–	–	–	–
Trade and other payables	(23)	(5)	(1)	(666)	(1)	–
Net exposure arising from recognised assets and liabilities	(5)	15	–	450	1	60
Highly probable forecast purchases	(7)	–	(3)	(2,535)	(153)	–
Notional amounts of foreign currency forward contracts	6	–	2	1,084	100	–
Net exposure arising from forecast transactions	(1)	–	(1)	(1,451)	(53)	–
Overall net exposure	(6)	15	(1)	(1,001)	(52)	60

Sensitivity analysis

The following table indicates the change in the Group's profit after taxation and retained profits assuming a general increase of 5% in the foreign exchange rates to which the Group has significant exposure at the balance sheet date:

Group

HK$ million	**2011** **Positive / (negative) effect on profit after taxation and retained profits**	2010 Positive / (negative) effect on profit after taxation and retained profits
Renminbi	**3**	1
Euros	**(1)**	(1)
Japanese Yen	**(17)**	(5)
Pound Sterling	**(77)**	(31)

Notes to the Financial Statements

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(d) Currency risk (continued)

Sensitivity analysis (continued)

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, remained constant.

It is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would not be materially affected 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 taxation 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 analysis is performed on the same basis for 2010.

(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 at 31 December 2010 and 2011 except for the amounts due from / to subsidiaries, fellow subsidiaries, associates, jointly controlled entities and holders of non-controlling interests which are recoverable / repayable on demand. 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 swaps at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counter parties.

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.

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(e) Fair value (continued)

(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 2011, the outstanding foreign currency forward contracts and interest rate swaps of the Group 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 are as follows:

	Group	
HK$ million	**2011**	2010
Contracted for		
- Capital expenditure	**87**	129
- Others	**30**	–
At 31 December	**117**	129
Authorised but not contracted for		
- Capital expenditure	**256**	245
- Others	**190**	46
At 31 December	**446**	291

Notes to the Financial Statements

34. COMMITMENTS (CONTINUED)

(b) Operating lease commitments

The Group is the lessee in respect of various properties, plant and equipment held under operating leases. At 31 December 2011, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Group	
HK$ million	**2011**	2010
Within 1 year	**324**	268
After 1 year but within 5 years	**539**	404
After 5 years	**810**	407
At 31 December	**1,673**	1,079

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

35. CONTINGENT LIABILITIES

At 31 December 2011, the Company had issued the following guarantees to banks in respect of banking facilities granted to and utilised by the following parties:

Company

	2011		2010	
HK$ million	**Granted**	**Utilised**	Granted	Utilised
Subsidiaries	**6,805**	**3,240**	5,806	2,567

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.

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 guarantees.

36. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following material related party transactions:

(a) Recurring transactions

HK$ million	**2011**	2010
Sales to jointly controlled entities	**175**	91
Purchases from associates	**69**	–
Rental expenses to fellow subsidiaries	**91**	90

(b) Remuneration for key management personnel

Remuneration for key management personnel are the amounts paid to the Company's directors as disclosed in note 9. Total remuneration is included in "staff costs" (Note 7(b)).

(c) Bank balances and bills payable with a fellow subsidiary

At 31 December 2011, the Group had bank balance with and bills payable to a fellow subsidiary of HK$63 million (2010: HK$48 million) and HK$87 million (2010: HK$91 million) respectively.

(d) Operating lease commitments with fellow subsidiaries

Included in note 34(b) above, there are total future minimum lease payments on properties under non-cancellable operating leases with fellow subsidiaries which are payable as follows:

	Group	
HK$ million	**2011**	2010
Within 1 year	**36**	90
After 1 year but within 5 years	**–**	36
At 31 December	**36**	126

(e) Transactions with state-owned enterprises

Other than those transactions as disclosed above, the Group has certain transactions with other state-owned enterprises including but not limited to sales and purchases of goods and services, use of utilities, bank deposits and borrowings.

These transactions are conducted in the ordinary course of the Group's businesses on terms comparable to those with independent third parties or other entities that are not state-owned.

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 to the Financial Statements

37. ULTIMATE HOLDING COMPANY

At 31 December 2011, the directors considered the ultimate holding company of the Group to be CITIC Group Corporation (formerly known as "CITIC Group"), a wholly state-owned company established in the People's Republic of China.

38. POST BALANCE SHEET EVENT

In February 2012, the Group entered into a provisional agreement to dispose of an investment property situated in Hong Kong at a consideration of HK$405 million. It is contemplated that the disposal would be completed on or before 28 December 2012. At 31 December 2011, the valuation of the above property was HK$324 million.

39. COMPARATIVE FIGURES

As a result of early adoption of the amendments to HKAS 12, Income Taxes, certain comparative figures have been restated (Note 1(b)).

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 or 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	Issued share capital / paid-up capital	Effective percentage of equity interest held by the Company		Principal activities
				Directly	Indirectly	
Dah Chong Hong (China) Limited		Hong Kong	HK$100,000	100	–	Investment holding and provision of management services
Dah Chong Hong (Japan) Limited		Japan	JPY480,000,000	–	100	Import and export of foodstuffs, motor vehicles and garments, and investment holding
Dah Chong Hong (Motor Leasing) Limited		Hong Kong	HK$100,000	–	100	Motor leasing
Dah Chong Hong (Motor Service Centre) Limited		Hong Kong	HK$200,000	–	100	Motor vehicle repairing, servicing and spare parts trading

40. DETAILS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Note	Place of incorporation / establishment / operation	Issued share capital / paid-up capital	Effective percentage of equity interest held by the Company		Principal activities
				Directly	Indirectly	
Dah Chong Hong, Limited		Hong Kong	HK$50,000,000	100	–	Investment holding, import, retail and export of foodstuffs, electrical appliances and other products
Dah Chong Hong Motors (China) Limited		Hong Kong	HK$2,000,000	–	100	Investment holding
DCH Foods (Singapore) Pte. Ltd		Republic of Singapore	SGD3,000,000	–	100	Food trading and distribution
DCH Logistics Company Limited		Hong Kong	HK$100,000	–	100	Warehouse and logistics service
DCH Motors (Bentley) Limited		Hong Kong	HK$2	–	100	Motor vehicle distributor
Gouriki Property Development Co., Ltd.		Japan	JPY10,000,000	–	100	Property investment
Honest Motors, Limited		Hong Kong	HK$3,000,000	–	100	Motor vehicle distributor
Premium Motors Limited		Hong Kong	HK$2	–	100	Motor vehicle distributor
Regal Motors, Limited		Hong Kong	HK$200,000	–	100	Motor vehicle distributor
Reliance Motors, Limited		Hong Kong	HK$3,000,000	–	100	Motor vehicle distributor
Sims Trading Company Limited		Hong Kong	HK$300,000	–	100	Wholesaling and distribution of fast moving consumer goods
Triangle Auto Pte Ltd		Republic of Singapore	SGD3,000,000	–	100	Motor vehicle distributor
Triangle Motors Limited		Hong Kong	HK$3,000,000	–	100	Motor vehicle distributor
Yee Lim Godown & Cold Storage Limited		Hong Kong	HK$1,000,000	–	100	Operation of dry and cold storage godown
上海賓利汽車銷售有限公司 (Bentley Shanghai Motors Sales Ltd.)	(viii)	The People's Republic of China	RMB12,000,000	–	100	Motor vehicle distributor

Notes to the Financial Statements

40. DETAILS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Note	Place of incorporation / establishment / operation	Issued share capital / paid-up capital	Effective percentage of equity interest held by the Company: Directly	Effective percentage of equity interest held by the Company: Indirectly	Principal activities
佛山駿安豐田汽車銷售服務有限公司 (Foshan Junan Toyota Motors Sale and Service Limited)	(ii), (vii), (viii)	The People's Republic of China	RMB10,000,000	–	49	Motor vehicle 4S dealership
大昌三昶（上海）商貿有限公司 (Goodwell China Marketing Service Co., Ltd)	(viii)	The People's Republic of China	RMB20,250,000	–	80	Wholesaling and distribution of fast moving consumer goods
廣東慎昌貿易有限公司 (Guang Dong Sims Trading Co., Ltd.)	(i), (viii)	The People's Republic of China	RMB25,000,000	–	100	Wholesaling and distribution of fast moving consumer goods
廣東偉德利電器製造有限公司 (Guangdong Victory Electrical Appliances Manufacturing Co., Ltd.)	(i), (viii)	The People's Republic of China	US$32,000,000	–	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)	(i), (vii), (viii)	The People's Republic of China	RMB18,009,099	–	49	Motor vehicle 4S dealership
廣州駿佳凌志汽車銷售服務有限公司 (Guangzhou Junjia Lexus Motors Sale and Service Limited)	(ii), (v), (vii), (viii)	The People's Republic of China	RMB30,000,000	–	27.5	Motor vehicle 4S dealership
廣州龍的豐田汽車銷售服務有限公司 (Guangzhou Longde Toyota Motors Sale and Service Limited)	(vii), (viii)	The People's Republic of China	RMB25,000,000	–	49	Motor vehicle 4S dealership
江門市寶昌汽車銷售服務有限公司 (Jiangmen Baochang Motors Sale and Service Limited)	(ii), (iv), (viii)	The People's Republic of China	RMB12,000,000	–	100	Investment holding

40. DETAILS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Note	Place of incorporation / establishment / operation	Issued share capital / paid-up capital	Effective percentage of equity interest held by the Company		Principal activities
				Directly	Indirectly	
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), (viii)	The People's Republic of China	US$10,600,000	–	100	Provision of food products and logistics service
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	US$23,300,000	–	100	Construction and development of industrial factories and warehouses
江門市合禮汽車銷售服務有限公司 (Jiangmen Heli Motors Sale and Service Limited)	(iii), (viii)	The People's Republic of China	RMB70,000,000	–	100	Motor vehicle 4S dealership
嘉興合信汽車銷售服務有限公司 (Jiaxing Hexin Motors Sale and Service Limited)	(iii), (viii)	The People's Republic of China	RMB30,000,000	–	100	Motor vehicle 4S dealership
昆明大昌行管理咨詢有限公司 (Kunming Dah Chong Hong Management and Consulting Limited)	(i), (viii)	The People's Republic of China	US$5,000,000	–	100	Property investment and provision of management services
昆明合運汽車貿易有限公司 Kunming Heyun Motor Trading Co., Ltd.	(i)	The People's Republic of China	RMB100,000,000	–	100	Motor vehicle 4S dealership
昆明聯亞豐田汽車銷售服務有限公司 Kunming Lianya Toyota Motor Sales And Services Co., Ltd	(i)	The People's Republic of China	RMB100,000,000	–	100	Motor vehicle 4S dealership
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	US$4,770,000	–	100	Food processing and trading

Notes to the Financial Statements

40. DETAILS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Note	Place of incorporation / establishment / operation	Issued share capital / paid-up capital	Effective percentage of equity interest held by the Company		Principal activities
				Directly	Indirectly	
上海大昌行賓利汽車銷售服務有限公司 (Shanghai Dah Chong Hong Bentley Motors Sale and Service Limited)	(viii)	The People's Republic of China	RMB12,000,000	–	100	Motor vehicle 4S dealership
上海慎昌貿易有限公司 (Shanghai Sims Trading Company Limited)	(i), (viii)	The People's Republic of China	RMB25,000,000	–	100	Wholesaling and distribution of fast moving consumer goods
上海山隆實業有限公司 (Shanghai Sunny Life Enterprise)	(vi), (viii)	The People's Republic of China	RMB24,000,000	–	71	Food trading
上海殷昌倉儲有限公司 (Shanghai Yinchang Warehousing Company Limited)	(i), (viii)	The People's Republic of China	US$15,400,000	–	100	Property holding
上海眾泰汽車銷售有限公司 (Shanghai Zhongtai Motor Sales Limited)	(viii)	The People's Republic of China	RMB12,000,000	–	100	Motor vehicle 4S dealership
深圳市增特汽車貿易有限公司 (Shenzhen City Zengte Car Trading Co., Ltd)	(iii), (viii)	The People's Republic of China	RMB15,000,000	–	100	Motor vehicle 4S dealership
深圳市盛業汽車銷售服務有限公司 (Shenzhen Shengye Toyota Motors Sale and Service Limited)	(ii), (vii) (viii)	The People's Republic of China	RMB12,000,000	–	50	Motor vehicle 4S dealership
深圳市深業汽車貿易有限公司 (Shenzhen Shenye Motors Trading Limited)	(vii), (viii)	The People's Republic of China	RMB25,000,000	–	50	Motor vehicle 4S dealership
深圳市深業豐田汽車銷售服務有限公司 (Shenzhen Shenye Toyota Motors Sale and Service Ltd)	(ii), (vii), (viii)	The People's Republic of China	RMB20,000,000	–	50	Motor vehicle 4S dealership

40. DETAILS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Note	Place of incorporation / establishment / operation	Issued share capital / paid-up capital	Effective percentage of equity interest held by the Company		Principal activities
				Directly	Indirectly	
台北合迪汽車有限公司 Taipei Premium Motors Limited		Taiwan	NTD5,000,000	–	100	Motor vehicle 4S dealership
合眾汽車銷售服務（中國）有限公司 Triangle Motor Sales And Services (China) Co., Ltd.	(i)	The People's Republic of China	RMB100,000,000	–	100	Motor vehicle 4S dealership
雲南聯迪汽車服務有限公司 (Yunnan Liandi Motors Service Limited)	(iii), (viii)	The People's Republic of China	RMB10,000,000	–	80	Motor vehicle 4S dealership
雲南中馳汽車銷售服務有限公司 Yunnan Zhongchi Motor Sales And Services Co., Ltd.	(i)	The People's Republic of China	RMB100,000,000	–	100	Motor vehicle 4S dealership
湛江市駿浩汽車有限公司 (Zhanjiang Junhao Motors Limited)	(i), (viii)	The People's Republic of China	RMB50,000,000	–	100	Motor vehicle 4S dealership
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)	(ii), (viii)	The People's Republic of China	RMB6,000,000	–	100	Motor vehicle 4S dealership
湛江市駿凱汽車技術服務有限公司 (Zhanjiang Junkai Motors Technology and Service Limited)	(iii), (viii)	The People's Republic of China	RMB6,000,000	–	100	Motor vehicle 4S dealership
浙江賓利汽車銷售服務有限公司 (Zhejiang Bentley Motors Sale and Service Limited)	(viii)	The People's Republic of China	RMB5,000,000	–	100	Motor vehicle 4S dealership

Notes to the Financial Statements

40. DETAILS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Notes:

(i) The entity is a wholly foreign owned enterprise ("WFOE") 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 dates of establishment or acquisition.

(iii) The entity is within the OPCO group.

(iv) The entity is in the process of conversion from OPCO to WFOE.

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

(vi) The entity is a Sino-Foreign Equity Joint Venture.

(vii) The Group has an overriding casting vote at the board meeting of the intermediate holding company of this entity and the Group governs the financial and operating policies of this entity. Accordingly, it has been accounted for as a subsidiary.

(viii) 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 2011

	Address / Lot no.	Leasehold expiry	Group's interest %	Approximate gross floor area / Approximate saleable area* (sq. m.)	Existing use
Major Properties Held For Investment					
1.	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
2.	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
3.	Car Parking Space No.18 on Upper Ground Floor, Kar Man Court, 1-7 Kin Wah Street, North Point, Hong Kong 1/713th share of and in the Remaining Portions of subsections 1, 2, 3 and 4 of Section X of IL No 2366 and the Extension thereto	2072	100	1 car parking space	Open car parking space

Major Properties held by the Group

Address / Lot no.	Leasehold expiry	Group's interest %	Approximate gross floor area / Approximate saleable area* (sq. m.)	Existing use
4. Ground, 2nd, 3rd, 4th and 5th Floors, Front Portion, 11 Mok Cheong Street, Tokwawan, Kowloon, Hong Kong Situated within KIL No 7630	2027	100	773*	Industrial
5. Haiwang Hatchery Plant at Haiwang Village, Huinan Town, Pudong New District, Shanghai, The People's Republic of China	2048	76.77	2,053	Industrial
6. Xing Guang Farm, Xingguang Village, Zhuqiao Town, Pudong New District, Shanghai, The People's Republic of China	2048	76.77	6,041	Industrial
7. 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
8. 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

Address / Lot no.	Leasehold expiry	Group's interest %	Approximate gross floor area / Approximate saleable area* (sq. m.)	Existing use
9. 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
10. 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
11. 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
12. 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
13. Dah Chong No.2 Building, 18-2, Roppongi, 5-chome, Minato-ku, Tokyo, Japan	Freehold	100	1,405	Commercial / office

Major Properties held by the Group

Address / Lot no.	Leasehold expiry	Group's interest %	Approximate gross floor area / Approximate saleable area* (sq. m.)	Existing use
14. Toriizaka House, 14-19, Roppongi, 5-chome, Minato-ku, Tokyo, Japan	Freehold	100	683	Residential / office
15. Land No.346-22, Azateradani, Hino-Cho, Nishiwaki-shi, Hyogo Prefecture, Japan	Freehold	100	6,300	Vacant site
16. Land No.8-162 and 8-179, Ogase-Cho, Kagamihara-shi, Gifu Prefecture, Japan	Freehold	100	7,123	Vacant site
17. Land No.689, Azazendana, Higashiodaka, Isumi-shi, Chiba Prefecture, Japan	Freehold	100	509	Vacant site
18. Land No.692, Azazendana, Higashiodaka, Isumi-shi, Chiba Prefecture, Japan	Freehold	100	694	Vacant site

Address / Lot no.	Leasehold expiry	Group's interest %	Approximate gross floor area / 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. Kiu Tau Wai, Ping Shan, Yuen Long, New Territories, Hong Kong Lot No.423 in DD127	2059	100	9,489	Motor service centre
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

Major Properties held by the Group

	Address / Lot no.	Leasehold expiry	Group's interest %	Approximate gross floor area / Approximate saleable area* (sq. m.)	Existing use
5.	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
6.	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
7.	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	48,974	Logistics and food processing complex

Address / Lot no.	Leasehold expiry	Group's interest %	Approximate gross floor area / Approximate saleable area* (sq. m.)	Existing use
8. Lot No. T7-1, located in Lingang Industrial District, Jinguzhou Economic Development Experimental Zone, No.10, Jiangyu Road, Jinguzhou, Huicheng, Xinhui District, Jiangmen, Guangdong Province, The People's Republic of China	2054	100	1,619	Storage and office (Factory under construction)
9. Lot T7-3, No.19, Yingang Avenue, Jinguzhou, Huicheng, Xinhui District, Jiangmen, Guangdong Province, The People's Republic of China	2054	100	12,678	Food processing and warehouse
10. Lot T7-5, No.6, Jiangyu Road and No.28 Yinzhou Avenue, Jinguzhou, Huicheng, Xinhui District, Jiangmen, Guangdong Province, The People's Republic of China	2054	100	17,715	Food processing, warehouse and office
11. Lot T7-5, No.8, Jiangyu Road, Jinguzhou, Huicheng, Xinhui District, Jiangmen, Guangdong Province, The People's Republic of China	2054	100	3,148	Office (under construction)

Major Properties held by the Group

	Address / Lot no.	Leasehold expiry	Group's interest %	Approximate gross floor area / Approximate saleable area* (sq. m.)	Existing use
12.	Lot T7-6, No.28, Yinzhou Avenue, Huicheng, Xinhui District, Jiangmen, Guangdong Province, The People's Republic of China	2054	100	8,378	Warehouse
13.	Lot No. T7-2, No.21, Yingang Avenue, located in Lingang Industrial District, Jinguzhou Economic Development Experimental Zone, Xinhui District, Jiangmen, Guangdong Province, The People's Republic of China	2055	100	8,973	Cold storage, warehouse and food processing centre (under construction)
14.	Lot No. T-10-2, No.2, Fuhuei Road Jhih Yi, located in Lingang Industrial District, Jinguzhou Economic Development Experimental Zone, Xinhui District, Jiangmen, Guangdong Province, The People's Republic of China	2055	100	49,079	Partially developed with logistics centre
15.	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	10,179	Industrial
16.	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 gross floor area / Approximate saleable area* (sq. m.)	Existing use
17. No.789 Anchi Road, Shanghai International Automobile City, Jiading District, Shanghai, The People's Republic of China	2043	100	3,667	Showroom and car storage
18. No.258 Nangang Gong Road, Huinan Town, Pudong New District, Shanghai, The People's Republic of China	2048	76.77	9,696	Office
19. 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 (site area: 190,950)	Industrial
20. 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
21. 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
22. (7 Kilometers North of RT-Mart) No.998 Huchong Road, Kan Dun Jie Dao, Ci Xi City, Ningbo, Zhejiang Province, The People's Republic of China	2049	50	9,595	4S shop

Major Properties held by the Group

Address / Lot no.	Leasehold expiry	Group's interest %	Approximate gross floor area / Approximate saleable area* (sq. m.)	Existing use
23. 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
24. No.508 Bai Long Road, Liu Jia Ying Village, Jinma Town, Kunming City, Yunnan Province, The People's Republic of China	2048	100	4,608	4S shop
25. Level 6, No.1265 Chang De Road, Putuo District, Shanghai, The People's Republic of China	2046	71	832	Office
26. 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
27. 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

Address / Lot no.	Leasehold expiry	Group's interest %	Approximate gross floor area / Approximate saleable area* (sq. m.)	Existing use
28. Carparking Spaces Nos 8, 17, 18, 19, 31, 38, 39, 40 & 41 on Basement 1, Enterprise Square, No.216 Mei Yuen Road, Shanghai, The People's Republic of China	2048	100	519 (9 car parking spaces)	Car parking
29. Units 2701 to 2703 and Units 2705 to 2713 and Units 2715 to 2720 on 27th Floor, Enterprise Square, No.228 Mei Yuen Road, Shanghai, The People's Republic of China	2048	100	1,661	Office
30. Carparking Spaces Nos 25, 27 & 28 on Basement 1, Enterprise Square, No.216 Mei Yuen Road, Shanghai, The People's Republic of China	2048	100	173 (3 car parking spaces)	Car parking
31. Whole Single Storey Block, No.357 Ji Zhan Road, Shanghai, The People's Republic of China	2056	100	22,109	Warehouse
32. Portion of Dah Chong No.2 Building, 18-2, Roppongi 5-chome, Minato-ku, Tokyo, Japan	Freehold	100	1,013	Office

Major Properties held by the Group

Address / Lot no.	Leasehold expiry	Group's interest %	Approximate gross floor area / Approximate saleable area* (sq. m.)	Existing use
33. 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	2,013 plus 213 parking stalls	Showroom, service bays, storage and office
34. 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
35. 259 Pandan Loop, Singapore 128435 Lot No 4009A (JTC Pte Lot A14379) Mukim 5	2012	100	1,138	Cold store

DEFINITION OF TERMS

TERMS

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
Capital employed	Shareholders' funds plus total debt
EBITDA	Profit before interest expense, taxation, depreciation and amortisation
Segment turnover	Segment turnover from external customers plus inter-segment turnover

RATIOS

$$\text{Basic earnings per share} = \frac{\text{Profit attributable to shareholders}}{\text{Weighted average number of shares (by days) in issue during the year}}$$

$$\text{Diluted earnings per share} = \frac{\text{Profit attributable to shareholders}}{\text{Weighted average number of shares (diluted)}}$$

$$\text{Net asset value per share} = \frac{\text{Net assets}}{\text{Number of shares in issue at the end of the year}}$$

$$\text{Net gearing ratio} = \frac{\text{Net debt}}{\text{Total capital}}$$

$$\text{Interest cover} = \frac{\text{EBITDA}}{\text{Interest expense}}$$

Corporate Information

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Website
www.dch.com.hk contains a description of Dah Chong Hong Holdings Limited's 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 Share 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:

For ascertaining shareholders' entitlement to attend and vote at Annual General Meeting:	14 May 2012 to 16 May 2012
For ascertaining shareholders' entitlement to the Final Dividend:	22 May 2012 to 24 May 2012
Annual General Meeting:	16 May 2012, 10:30 a.m. Harcourt & Nathan Room Lower Lobby Conrad Hong Kong Pacific Place 88 Queensway Hong Kong
Final Dividend payable:	4 June 2012

Annual Report 2011

Our Annual Report is printed in English and Chinese language and is also available on our website at www.dch.com.hk under the "Investors" section.

Shareholders may choose to rely on the Annual Report posted on the Group's website and change their preference 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-registered shareholders wish to receive a printed copy of our Annual Report 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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