大昌行集團有限公司

DAH CHONG HONG HOLDINGS LIMITED

Vitality and Professionalism

OUR CHINA MOMENTUM

Annual Report **2012**

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 and Japan. It has a diversified business portfolio with core businesses in Motor and Motor Related Business, Food and Consumer Products Business, and Logistics Business. 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.

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BUSINESS HIGHLIGHTS

MOTOR AND MOTOR RELATED BUSINESS

- Segment turnover rose by 3.8%
- Sold around 81,000 units of vehicles in mainland China
- The number of 4S shops increased to 69 in 2012, and a total of 21 4S greenfield projects are in the pipe line in mainland China
- In the PRC, dealership after-sales service unit and revenue were up by 10.1% and 28.4% respectively
- In Hong Kong and Macao, DCH sold around 10,800 units of vehicles
- *Infiniti*, the renowned luxury car brand, has been soft launched in 2012
- The Group added the distributorship of *SINOTRUK* into its portfolio in Hong Kong, and will represent *DAF*, a renowned European commercial vehicle brand in 2013
- The first electric bus will be delivered to Hong Kong in March 2013
- The *Isuzu* distributorship in Taiwan officially commenced operation
- Sales of the lubrication oil blending plant tripled in 2012 to 6.4 million litres

FOOD AND CONSUMER PRODUCTS BUSINESS

- A 5.6% growth in segment turnover
- In mainland China, dairy and beverage products achieved an outstanding growth of 42.9% and 59.5% respectively
- Our joint venture with Brasil Foods S.A. commenced distribution of branded frozen products in Hong Kong and mainland China
- Our food processing business in Hong Kong recorded significant sales growth of 46.2%
- The number of *DCH Foodmart* outlets increased to 85 by the end of 2012
- Private label products are being developed with the newly launched house brand *Cheer* dairy and nut product lines introduced in Hong Kong
- DCH has successfully established a retail chain-store network totaling 47 *DCH AV Shops* and *DCH Digi Shops* in key cities in the PRC

LOGISTICS BUSINESS

- Segment turnover rose by 19.7%
- Signed contract with a major confectionery supplier to extend repacking service from Xinhui to Shanghai
- Established temperature controlled fleet to enhance cold chain capability in Shanghai

FINANCIAL HIGHLIGHTS

For the year (HK$ million)	2012	2011
Turnover	**48,014**	46,109
Profit from operations	**1,775**	1,869
Profit attributable to shareholders	**1,045**	1,323
Segment profit after taxation		
Motor and Motor Related Business	**874**	1,263
Food and Consumer Products Business	**207**	163
Logistics Business	**16**	15
Other Business	**71**	73

At year end (HK$ million)	2012	2011
Total debt	**6,409**	5,784
Cash and bank deposits	**3,225**	2,854
Net debt	**3,184**	2,930
Shareholders' funds	**8,511**	7,909
Total capital	**11,695**	10,839
Capital employed	**14,920**	13,693
Net gearing ratio	**27.2%**	27.0%

For the year (HK cents)	2012	2011
Basic earnings per share	**57.24**	72.73
Diluted earnings per share	**57.06**	72.40
Dividend per share		
Interim	**11.78**	14.30
Final	**8.88**	12.74
Total	**20.66**	27.04

CHAIRMAN'S LETTER TO SHAREHOLDERS

In 2012, the unstable global economic environment and the moderated market conditions in the PRC have posed challenges to our business operations. The supply and demand disparities due to the over production of cars in mainland China has led to profit margin erosion on new car sales. Nevertheless, Dah Chong Hong Holdings Limited ("DCH" or "the Group"), with a balanced and diversified business portfolio, leveraging its well-established marketing network and management infrastructure, has continued to grow its business with the turnover for the year ended 31 December 2012 recording an increase of 4.1% to HK$48,014 million (2011: HK$46,109 million) though profit from operations dropped by 5.0% to HK$1,775 million (2011: HK$1,869 million).

With a lower net gain on remeasurement of investment properties and higher finance costs, profit attributable to shareholders decreased by 21.0% to HK$1,045 million (2011: HK$1,323 million). Basic earnings per share were down 21.3% to 57.24 HK cents (2011: 72.73 HK cents). The Board of Directors of DCH has proposed the payment of a final dividend of 8.88 HK cents per share (2011: 12.74 HK cents per share), along with the interim dividend of 11.78 HK cents per share (2011: 14.30 HK cents per share) already paid, bringing the full year dividend to 20.66 HK cents (2011: 27.04 HK cents per share).

CONTINUE GROWING A STRONG MOTOR DEALERSHIP BUSINESS

Turnover of Motor and Motor Related Business segment rose 3.8% to HK$38,613 million (2011: HK$37,183 million) whereas the segment result from operations dropped by 22.7% to HK$1,292 million (2011: HK$1,672 million).

The China auto market growth rate has eased to a low single digit for the second year in a row and the business environment for the auto industry remained tough in 2012. Over production by manufacturers has led to rising inventory for dealers. This, coupled with higher finance costs and widespread discounting in new car sales, squeezed profit margin and shrunk profitability for the PRC dealership business. In addition, the tense Sino-Japan political relationship has dampened the sales of Japanese vehicles in mainland China since the third quarter of 2012. Yet, a silver lining was seen towards the end of the year as market conditions became more stable with level of discounts for new car sales narrowed while the high auto inventory gradually subsided.

In view of unstable market conditions, we have adjusted the pace of our 4S shop network expansion by opening four 4S shops in 2012, bringing the total to 69. We have continued to develop an integrated motor business platform covering after-sales service and other Motor Related Business. Despite the challenging environment in new car sales, we have managed to enhance after-sales service performance, which recorded a strong growth of 28.4%. This contributed significantly to our bottom line and has helped to alleviate the impact of the lower profit margin from new car sales.

Looking ahead, it is expected that China's auto market will grow by around 7% in 2013 and provide a better operating environment for car dealerships. Production of cars should be more demand-driven which will ease price competition among dealers and subsequently improve margins. We will continue to develop our dealership business in mainland China with 21 new 4S shops in the pipe line, four of which will commence business in the first quarter of 2013 and the others will open later in 2013 or in early 2014. We maintain our target of adding 15 4S shops each year, focusing on mid-to-high-end brands and expanding to other inland provinces. Enjoying a strong financial position, we are ready to seize merger and acquisition opportunities to accelerate the development pace of the Motor Business. We plan to improve after-sales service to enhance revenue growth and profitability. Leveraging our industry knowledge, we continue to dedicate efforts in growing our Motor Related Business in the PRC market. We will maintain our momentum in developing motor leasing, independent service outlets and used car trading businesses and we are confident about the future demand in these businesses.

In Hong Kong, our market share improved in the second half of the year following the launch of new models. With a more favourable Japanese Yen exchange rate, we expect this upward trend to continue in 2013 which will better our business and profitability. We will continue to provide quality environment-friendly vehicles and vehicle-related environmental protection initiatives to the region. The HKSAR Government's policy on air pollution control encouraging early replacement of diesel vehicles and installation of emission-elimination devices should benefit the Group in the coming years as we are the first mover in environment-friendly initiatives and the market leader in commercial vehicles. In addition to adding the distributorship of *SINOTRUK* to our commercial vehicle portfolio in 2012, we will also represent *DAF* in 2013 to sustain our growth momentum.

The performance of the Motor Business in Taiwan and Singapore was affected by slow market conditions. Yet, the Group is optimistic about both markets in the long term and will continue our efforts in exploring market potential with the launch of the *Isuzu* distributorship business in Taiwan in 2012.

The return of the *Bentley* PRC distributorship to the principal by the end of 2012 may have a short term impact on our performance, but is expected to be alleviated by the continuous development of our dealership business and the Motor Related Business in the coming years. As for the *Audi* business in Hong Kong and Macao, DCH remains as an *Audi* dealer to provide new car sales and after-sales service to our customers.

TOTAL FOOD SUPPLY CHAIN FURTHER STRENGTHENED

The segment turnover from the Food and Consumer Products Business recorded a 5.6% rise to HK$8,918 million (2011: HK$8,443 million). In addition, revenue of HK$2,263 million from the frozen pork and poultry distribution business was booked separately under our new joint venture ("JV") with Brasil Foods S.A. ("BRF"). Segment result from operations grew by 26.1% to HK$280 million (2011: HK$222 million), mainly attributable to the strong demand for high margin premium food and consumer products.

The development of our Food Business is on a fast expansion track which is in line with our strategy of maintaining a balanced portfolio of motor and food businesses. During the past few years, DCH has successfully forged a solid Total Food Supply Chain spanning upstream to downstream covering food manufacturing and processing, food distribution and retail supported by modern logistics to maximise the profitability and growth potentials at each level through the value chain. Through our acquisitions and strategic development efforts, we have produced strong results in both the food processing and Fast Moving Consumer Goods ("FMCG") businesses as well as a rapidly growing business of frozen and chilled commodities under the JV with BRF.

Our food processing business recorded an encouraging growth of 46.2%. We have strengthened our position in western fine food in Hong Kong and are well poised to expand into the fast growing market in mainland China.

For FMCG, in addition to confectionery, dairy and beverage products have achieved an outstanding growth of 42.9% and 59.5% respectively in mainland China. The Group is pursuing greater opportunities in dairy products, including milk powder, liquid milk, cheese and associated products forming a solid pillar in our FMCG portfolio. We have also established a private label initiative and more private label products will follow the introduction of "*Cheer*" brand dairy and nut product lines for the Hong Kong market.

Geographic expansion and sales channel development are key success factors in the food distribution business in mainland China. In 2013, DCH will concentrate its efforts in these areas with the objectives of direct penetration to customers; enhancing operational efficiency by regional management; opening sales channels to increase business; and improving its effectiveness in securing the agency of new products.

In the food retail business, *DCH Food Mart* has continued its positioning as a frozen and chilled food specialty chain with a total of 85 stores in Hong Kong as at the end of 2012. We are further expanding the retail network to provide safe and quality food products with outstanding services to satisfy public demand.

For the Consumer Products Business, the growth was attributable to the escalating demand for mobile accessories products in both Hong Kong and mainland China, driven by the popularity of smartphones. To tap the growing demand in the challenging retail market landscape, we have developed a new chain store business model through branded *DCH AV Shop* and *DCH Digi Shop*. The chain store business should give us a closer link with our customers and a competitive edge in presenting our premium imported audio visual ("AV") and mobile accessories products which will drive sustainable revenue growth and secure more premium AV products distributorships. We have successfully opened 47 shops during 2012 in major cities including Shanghai, Chengdu, Suzhou and Guangzhou with a target to expand the network to 100 shops by the end of 2013.

We have expanded our logistics facilities and transportation fleet in Shanghai. Our extensive logistics networks in Eastern and Southern China have provided multi-temperature storage and national distribution service to support our Food and Consumer Products Business. We have cemented a solid partnership with a major confectionery supplier by extending our temperature controlled repacking service to Shanghai based on the successful collaboration in Xinhui. In Hong Kong, we will build a new warehouse in our Yuen Long Logistics Centre to further expand our cold storage capacity to cope with the rapid development of our food processing business.

SUSTAINABILITY

Sustainability is crucial to the Group's success and is an integral part of our corporate culture. We are always conscious of the ethical conduct of our business and its subsequent impact on the environment and the community. As a responsible corporation, we spare no effort in contributing to a green and harmonious society through environmental protection initiatives and active participation in community services. We also ensure that DCH complies with the latest requirements on corporate governance. From this year onwards, we have started to comprehensively report on our achievements in environmental protection, social responsibility and corporate governance to give the public a thorough understanding of our efforts in these areas.

FINANCIAL POSITION

Our net gearing ratio improved substantially from 38.7% in mid year to 27.2% as at the end of 2012 with the reduction in auto inventory in the second half of 2012 and the disposal of an investment property in Hong Kong. With strong cash flows generated from operations supporting our capital expenditures, new investments and working capital for our expanded operations, the Group continues to exercise a stable but flexible cash flow management strategy taking into consideration the needs for long term business development, the global economic environment, the money market conditions and the ability to meet any opportunities and risks associated with the business of the Group.

CONCLUSION

We expect our business to benefit from the revived growth in the PRC economy in the coming years. We are optimistic about the emerging consumer market in mainland China which presents an enormous opportunity for DCH to expand its Motor and Motor Related Business, while accelerating the growth of its Food and Consumer Products Business to maintain a balanced and diversified business portfolio and enhance profitability.

I would like to take this opportunity to thank all of our colleagues for their dedication and contributions to the Group during the year. We resolve to continue our efforts to sustain the long term growth of DCH and to create value for our shareholders.

Hui Ying Bun
Chairman
Hong Kong, 27 February 2013

TURNOVER OF THE GROUP

HK$48,014m

PROFIT FROM OPERATIONS

HK$1,775m

BUSINESS REVIEW AND PROSPECTS

OPERATING RESULTS

For the year ended 31 December 2012, the Group recorded a turnover of HK$48,014 million, an increase of 4.1% against last year (2011: HK$46,109 million). However, under the tough business environment of the PRC auto market in 2012, profit from operations dropped by 5.0% to HK$1,775 million (2011: HK$1,869 million). With a lower net gain on remeasurement of investment properties and higher finance costs, profit attributable to shareholders decreased by 21.0% to HK$1,045 million (2011: HK$1,323 million). The adjusted net profit for the year, after excluding the non-operating items, amounted to HK$944 million, a drop of 23.3% when compared with HK$1,231 million last year.

MOTOR AND MOTOR RELATED BUSINESS

Segment turnover of the Motor Business in 2012 increased by 3.8% to HK$38,613 million (2011: HK$37,183 million) whereas segment result from operations dropped by 22.7% to HK$1,292 million (2011: HK$1,672 million). Segment margin dropped to 3.3% versus 4.5% last year with segment margin in Hong Kong and Macao at 6.1% (2011: 7.1%) and mainland China at 3.1% (2011: 4.2%). Segment profit after taxation also decreased by 30.8% to HK$874 million (2011: HK$1,263 million).

MOTOR AND MOTOR RELATED BUSINESS

MOTOR BUSINESS

Mainland China

- Overall motor market expanded by 4.3% to 19.3 million units.
  - The passenger car market increased by 7.1% to 15.5 million units.
  - The commercial vehicle market dropped by 5.5% to 3.8 million units.
- DCH experienced a slight decline of 5.2% in unit sales and sold around 81,000 units.
  - Passenger car sales were down by 2.8% to around 69,000 units mainly attributable to the drop in sales of Japanese vehicles.
  - Commercial vehicle sales declined by 16.7% to around 12,000 units with the slow down of the industrial and infrastructure activities in 2012.

Distributorship

- *Bentley* achieved a robust growth of 25.8% in unit sales to around 2,100 units.
- The sales volume of *Isuzu* dropped by 28.5% due to a slowdown of infrastructure sector activity in the PRC.

Dealership

- The number of 4S shops increased by four to 69 in 2012 (one *Ferrari* and *Maserati* and three *Bentley*). The deviation in 2012 from the long term target of adding 15 4S shops per year is due to the tough market conditions during the year.
- In the first quarter of 2013, four new 4S shops will be opened (two *FAW Audi*, one *FAW Toyota* and one *Chevrolet*) while four 4S shops (two *Renault* and two *Qingling*) will be closed, bringing the total number of 4S shops to 69 by the end of this quarter.
- Dealership sales volume dropped by 4.4%, mainly in Japanese brands and commercial vehicles.
- Dealership after-sales was up by 10.1% in unit serviced and by 28.4% in revenue, a steady increase in this recurring income with good margins will continue to contribute to the profitability of the business. Improvement in operational efficiency as a result of closer collaboration among the 4S shops within the Group will enhance their performance and earnings.

- Same-store unit sales dropped as expansion of 4S shop network outpaced the increase of the auto market in the year, yet a solid growth in after-sales service was recorded.
  - Same-store unit sales dropped by 9.9%.
  - Same-store service volume rose 4.6%.
  - Same-store after-sales service sales leaped 21.1%.

- A total of 21 4S greenfield projects are in the pipe line:

Brand	**Location**
Bentley	Fuzhou, Nanning
Chevrolet	Chaozhou, Kunming
Dongfeng Honda	Heyuan
FAW Audi	Foshan, Kunming, Shenzhen
FAW Toyota	Chuxiong, Dehong, Dongyang, Nanchang, Wuhan, Xinyu, Xishuangbanna
Lexus	Changsha, Shenzhen (2), Yueqing
Mercedes-Benz	Chongqing
SGM Buick	Chuxiong

- The Group will continue to grow the dealership business through greenfield and merger and acquisition of mid-to-high-end brands. The tough market conditions in 2012 have prompted a reform in the 4S shop management with the introduction of management by regional network and by brands. The Group is optimistic about the future of the dealership business and will seek opportunities in its expansion in the coming year.
- Awards achieved during the year:
  - *Bentley* 4S shops in Shanghai and Zhejiang – World's Top Ten Dealers (全球十大經銷商)
  - *Ferrari* 4S shop in Guangzhou – Best Dealer (最佳經銷商)
  - *Maserati* 4S shop in Guangzhou – Best Dealer (最佳經銷商)
  - *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)
  - *FAW Toyota* 4S shop in Foshan – Best Sales Performance Award (金牌經銷店)
  - *FAW Toyota* 4S shop in Kunming – Best 4S Shop Service Award (最佳4S店服務獎)
  - *Dongfeng Honda* 4S shop in Jiangmen – Golden Key Award (黃金鎖匙特約店)

MOTOR AND MOTOR RELATED BUSINESS

Hong Kong and Macao

- The overall Hong Kong motor market expanded by 2.7% to 45,300 units.
  – The passenger car market increased by 2.6% to 35,700 units.
  – The commercial vehicle market increased by 2.8% to 9,600 units.
- Unit sales of DCH declined by 1.6% to around 10,800 units.
  – Passenger car sales declined by 1.2% to around 8,200 units.
  – Commercial vehicle sales declined by 2.9% to around 2,600 units.
- The late introduction of new models led to a drop in the full year volume of car sales, yet an encouraging improvement in sales volume and market share were recorded in the second half of the year. DCH's market share in Hong Kong stood at 19.4% in 2012 (2011: 21.0%).
- The strong Japanese Yen exchange rate in 2012 affected the sales of Japanese vehicles but the expected weakening of the currency in 2013 would benefit the Group's Motor Business in Hong Kong.
- *Honda*, *Isuzu* and *MAN* recorded sales volume growth of 9.3%, 4.9% and 47.3% respectively.
- DCH captured more than half of the truck and bus sales in Hong Kong.
- The new luxury car brand – *Infiniti* has been soft launched in May, and the showroom will commence business by the second quarter of 2013.
- The Group expanded its commercial vehicle brand portfolio in 2012 by adding the distributorship of *SINOTRUK*, a major truck manufacturer in the PRC, and will represent *DAF*, a renowned European commercial vehicle brand in 2013.
- The first electric bus will be delivered in March 2013.
- The HKSAR Government's policy in environmental protection encouraging the early replacement of diesel vehicles will greatly increase the market demand for environment-friendly trucks and buses in the coming years. As the market leader in this field, the Group is well positioned to meet the surging demand.

Other Markets

- Taiwan
  - While *Audi* unit sales increased by 9.4% in Taiwan, a greater profit contribution from after-sales service is expected in 2013 through the recently established "body and paint" shop.
  - The *Isuzu* distributorship officially commenced operation in October and the Group is exploring closer collaboration with *Isuzu* to further expand business.
- Singapore
  - As the number of Certificates of Entitlement for commercial vehicles issued by the Singapore Government was reduced by one-third, unit sales of the Group dropped 13.0%. The Group's market share, however, remained stable.
- Canada
  - Market condition and the performance of our *Acura* dealership in Canada remained stable.

MOTOR RELATED BUSINESS

- HKSAR Government will introduce measures in reducing the exhaust emission from motor vehicles, including the retrofitting selective catalytic reduction devices for franchised buses, the replacement of three way catalytic convertors in LPG taxi and mini buses and the associated equipment for checking the emission. This will benefit the Group which is the first mover in these environmental initiatives.
- The sales of the lubrication oil blending plant tripled in 2012 to 6.4 million litres and production volume is expected to increase by 3.1 million litres in 2013.
- The Group has renewed a four-year contract with the HKSAR Government for operating the New Kowloon Bay Vehicle Examination Centre.
- The Group has also secured a tender of supplying truck washing machines to the Tuen Mun Sludge Treatment Plant.
- Delivery of 64 refuse collection vehicles to the HKSAR Government commenced in 2013.
- The pilot plan to develop independent service outlet chain in Guangdong province will continue in 2013, with a target of expanding to seven outlets. The slow progress of the pilot programme is mainly due to the difficulties of securing suitable outlet locations.

FOOD AND CONSUMER PRODUCTS BUSINESS

Segment turnover grew by 5.6% to HK$8,918 million compared with HK$8,443 million in 2011. In addition, revenue of HK$2,263 million from frozen pork and poultry distribution business was booked separately under our new joint venture ("JV") with Brasil Foods S.A. ("BRF"). Segment result from operations increased by 26.1% to HK$280 million (2011: HK$222 million) mainly attributable to the strong demand for premium Fast Moving Consumer Goods ("FMCG") food products and trendy consumer products and a higher contribution from food processing business. Segment margin also improved by 0.5 percentage point to 3.1%. After taking into account the share of profit from associates and jointly controlled entities, segment profit after taxation increased by 27.0% to HK$207 million (2011: HK$163 million). On a geographic basis, 41.0% of the turnover of this segment came from mainland China, 49.9% from Hong Kong and Macao and 9.1% from other markets.

FOOD AND CONSUMER PRODUCTS BUSINESS

MAINLAND CHINA

- Segment turnover grew by 4.9% to HK$3,654 million (2011: HK$3,483 million) with the revenue from frozen pork and poultry distribution business booked separately under the JV with BRF upon its commencement of operation from April 2012 onwards.
- Segment result from operations increased by 6.4% to HK$117 million (2011: HK$110 million) whereas segment margin remained the same as last year at 3.2%.
- To strengthen our distribution coverage and market penetration, regional offices have been established in seven major cities across the PRC: Hangzhou, Shenyang, Xiamen, Wuhan, Kunming, Sanya and Chengdu.
- The Group has further diversified its product portfolio with 190 brands covering 2,000 products sourced from 36 countries.
- The food distribution network has expanded to 102 cities across mainland China.

Food Business

- Turnover of our FMCG business recorded a year-on-year ("y.o.y.") growth of 8.3% with a strong demand for internationally branded and sourced FMCG which benefited from consumer's food safety concerns in mainland China. The small growth recorded was mainly due to the impact of the Chinese New Year ("CNY") timing in early 2012 and an unexpected temporary supply interruption of a major confectionery brand in the last quarter. Key performance highlights for FMCG business are as follows:
  - Dairy product: a y.o.y. turnover growth rate of 42.9% brought by market strong demand, in particular milk powder and liquid milk.
  - Beverage: vigorous y.o.y. turnover growth of 59.5% mainly contributed by functional drinks and bottled tea.
  - Confectionery: a y.o.y. turnover drop of 9.0% impacted by CNY seasonality and temporary interruption of supply.
  - New agencies: *Barilla* pasta, *GSK* throat lozenge, *Danisa* biscuit, *Bahlsen* biscuit, *Dilmah* tea and *Delamere* UHT milk.
  - Expansion of our distribution capability to cover the wholesale network among convenience store channels in Guangzhou.

- Our food commodity business recorded a y.o.y. turnover drop of 17.3% as part of the frozen pork and poultry distribution business was booked separately under our JV with BRF. Key performance highlights under the Food Commodity business are as follows:
  - Frozen meat: our JV with BRF commenced distribution of branded frozen products (including poultry, pork and beef). In the future, riding on our capability and BRF's quality products, we will focus on value-added processed products to penetrate the food service and retail channels.
- Two new manufacturing plants commenced operation:
  - A JV factory with South Korea's leading food company – CJ CheilJedang Corporation – produces frozen dumplings.
  - The opening of the *Pocari Sweat* Phase-2 manufacturing plant has tripled the production capacity for the popular beverage.

In addition to the well-established confectionery business, the Group is pursuing greater opportunities in the dairy products, including milk powder, liquid milk, cheese and associated products forming a solid pillar in our FMCG portfolio.

Geographical coverage and channel expansion are key success factors in the PRC market. The Group will strengthen its efforts to build the regional establishment with the objectives of direct penetration to customers; enhancing operational efficiency by regional management; opening sales channels to increase business; and improving its effectiveness in securing the agency of new products.

FOOD AND CONSUMER PRODUCTS BUSINESS

Consumer Products Business

- The business has been supported by ongoing strong demand in imported audio-visual and mobile accessories products. Future expansion is to ride on premium audio-visual products, mobile accessories and the *DCH AV Shop / DCH Digi Shop* networks.
- The Group has successfully established a retail chain-store network totaling 47 *DCH AV Shops* and *DCH Digi Shops* in key cities including Shanghai, Chengdu, Suzhou and Guangzhou and targets to build a network of 100 shops in 2013. The setting up of this retail chain marked a significant milestone of the Group's business in retail and would pace the Group's strategy in the downstream business development in the PRC market.

HONG KONG AND MACAO

- Segment turnover in these regions grew by 9.6% to HK$4,449 million (2011: HK$4,061 million) whereas segment result from operations surged by 27.5% to HK$213 million (2011: HK$167 million) and segment margin improved by 0.7 percentage point to 4.8%.

Food Business

- Our FMCG business turnover experienced a stable y.o.y. growth of 9.9% across various product categories. Key performance highlights are as follows:
  – Beverage: a y.o.y. turnover growth of 9.4%.
  – Dairy products: a y.o.y. turnover growth of 9.0%; creamers and cheese achieved steady growth.
  – New agency: *Pomurske Mlekarne* (UHT milk) for food service.
- Our food commodity's turnover experienced a stable y.o.y. growth of 2.4% with key performance highlights as follows:
  – Frozen meat: Sales volume achieved a rise of 9.8% in terms of tonnage attributable to our strong market presence in the frozen poultry, pork, beef and seafood categories. However, turnover remained stable due to lower commodity prices during the year.
  – Edible oil and sugar: As one of the market leaders within these sectors in Hong Kong, our reputable edible oil products have benefited from the growing concern about food safety.

- In our food processing business, the two food processing plants demonstrated progressive growth and will strengthen our position within the processed meat industry.
  - A y.o.y. sales growth of 46.2% was brought about by the additional revenue of a food processing plant acquired in 2011, an optimisation of product mix and an expansion of sales channels.
- The number of retail food outlets increased to 85 by the end of 2012 and we target to reach 92 shops in 2013. Same-store sales growth in 2012 was 5.8% compared to 6.4% in 2011.
- Private label products are being developed with the newly launched house brand *Cheer* dairy and nut products sold in Hong Kong.

Consumer Products Business

- Apart from the contribution from mobile accessories, washing machine was another growth driver.

OTHER MARKETS

- Facing a stagnant local economy, the Japan trading business still achieved a slight improvement, attributed to higher profit margins and effective cost control measures.
- The Singapore trading business fell short of last year under the competitive market atmosphere which eroded our gross profit margin.
- In Europe, the market turned sour in the wake of the EURO zone crisis which had a severe impact on our electrical appliances manufacturing business leading to a 36.8% y.o.y. drop in sales. Serious measures will be taken to turn around the loss position.


DCH Food Processing & Logistics Center 大昌行食品加工及物流中心
DCH LOGISTICS
NN 5855

Segment turnover rose by 19.7% to HK$541 million (2011: HK$452 million) and the segment result from operations increased by 16.7% against last year to HK$21 million, driven by business in Xinhui Logistics Centre and Hong Kong segment.

MAINLAND CHINA

- Turnover was up 60.7% to HK$188 million (2011: HK$117 million) as the new logistics facilities in Shanghai (including cold storage facilities, ambient warehouse and thermo trucks) commenced operation and growth in business of the Xinhui Logistics Centre. However, this segment still suffered a loss of HK$2 million in operations after taking into account the start-up expenses of the new logistics facilities in Shanghai.
- We will also extend our temperature controlled repacking service to Shanghai for a major confectionery supplier.

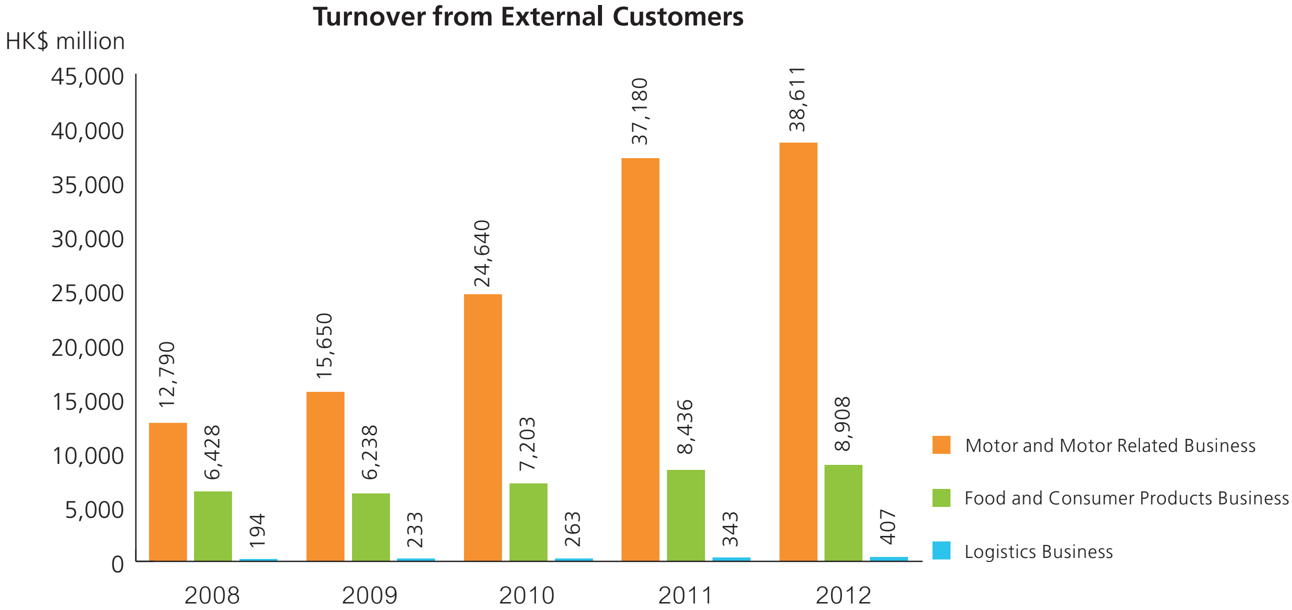
HONG KONG AND MACAO

- Segment revenue rose 5.4% to HK$353 million (2011: HK$335 million) whereas segment result from operations was boosted by 15.0% to HK$23 million (2011: HK$20 million), contributed by an improvement of the Hong Kong business with favorable price revisions upon the renewal of service contracts. The segment margin also improved by 0.5 percentage point to 6.5%.
- In order to streamline the rapid development of the food processing business, we plan to expand our cold storage capacity by approximately 11,300 sq.m. at the Yuen Long Logistics Centre in 2013.

INTRODUCTION

The Group's 2012 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. This Financial Review is designed to assist the reader in understanding the Group's financial information by discussing the contribution of each business segment and the financial position of the Group as a whole.

TURNOVER



Turnover in 2012 was HK$48,014 million, increased by 4.1% compared with HK$46,109 million in 2011, which was mainly attributable to the followings:

- **Motor and Motor Related Business**
  Turnover of Motor and Motor Related Business Segment increased by 3.8% mainly attributable to the growth of the PRC segment turnover by 3.4% with the robust sales growth achieved by the super luxury passenger cars, the continued expansion of our 4S shop network, and the increase in after-sales service for the PRC dealerships, partly offset by decrease in sales of commercial vehicles due to a slowdown of industrial demand and infrastructure development in the PRC. Turnover of Hong Kong and Macao segment grew steadily by 4.3% whereas turnover of other market segment grew by 11.2% with the expansion of the Audi dealership and commencement of Isuzu distributorship business in Taiwan.

- **Food and Consumer Products Business**
  Turnover of Food and Consumer Products Business Segment increased by 5.6% mainly due to the 9.6% increase in segment turnover in the Hong Kong and Macao market driven by the expansion of food trading and retail, food processing, and strong growth in distribution of FMCG and electrical appliances businesses. The mainland China segment turnover grew by 4.9% only because part of the frozen meat commodity business was booked under a newly incorporated jointly controlled entity and the scale down of low margin edible oil business. However, turnover of FMCG business managed to grow satisfactorily due to strong demand for internationally branded FMCG food products which was benefited from consumers' food safety concerns in mainland China. The electrical appliances business also grew significantly due to ongoing strong demand in imported audio-visual and mobile accessories products.

- **Logistics Business**

  Turnover of Logistics Business Segment grew by 19.7% with Hong Kong and Macao growing steadily by 5.4% and PRC grew by 60.7% attributable to the commencement of new logistics facilities in Shanghai (including cold storage, ambient warehouse and thermo trucks) and also the growth in the business of Xinhui logistics centre.

SEGMENT PROFIT AFTER TAXATION

Segment profit after taxation decreased by 22.9% in 2012 compared with 2011 attributable to the following major reportable segments:

- **Motor and Motor Related Business**

  Segment profit after taxation dropped by 30.8% to HK$874 million (2011: HK$1,263 million). This was mainly attributable to the segment profit in mainland China reduced by 34.5% to HK$627 million (2011: HK$957 million) owing to the decrease in contribution from the motor dealership business resulting from significant drop in gross margin on new car sales. The segment profit in Hong Kong and Macao also dropped by 9.4% to HK$261 million (2011: HK$288 million), mainly attributable to unsatisfactory sales performance of passenger cars due to the late introduction of new car models and the strong Japanese Yen during the year.

- **Food and Consumer Products Business**

  Segment profit after taxation increased sharply by 27.0% to HK$207 million (2011: HK$163 million). Segment profit after taxation in Hong Kong and Macao increased by 30.1% to HK$177 million (2011: HK$136 million) mainly attributable to increased contribution from food processing, FMCG and electrical appliances businesses. Segment profit after taxation in mainland China slightly decreased by 3.2% to HK$91 million (2011: HK$94 million) due to timing of Chinese New Year in early 2012 affecting the sales of FMCG products and the interruption in supply of a major confectionery brand during the year. For other markets, the electrical appliances manufacturing business for sales mainly to the European market continued to be challenging and incurring a loss. Excluding this, segment profit after taxation from other markets recorded a stable growth.

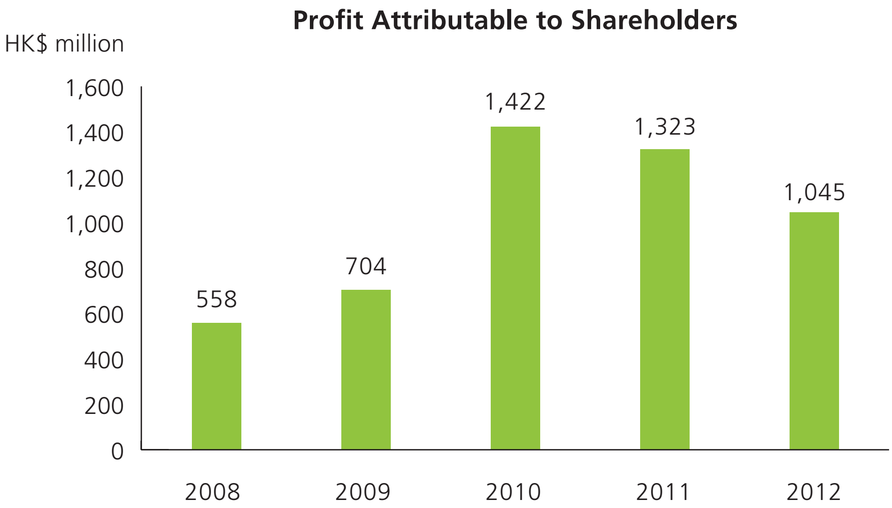
- **Logistics Business**

  Segment profit after taxation was HK$16 million only (2011: HK$15 million), as mainland China incurred a loss of HK$4 million (2011: HK$2 million loss) attributable to the start up costs for the new logistics facilities in Shanghai. Segment profit after taxation in Hong Kong and Macao increased by 17.6% to HK$20 million (2011: HK$17 million), with favourable price revision upon service contract renewal, and increase in enhanced occupancy rate for the logistics facilities.

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

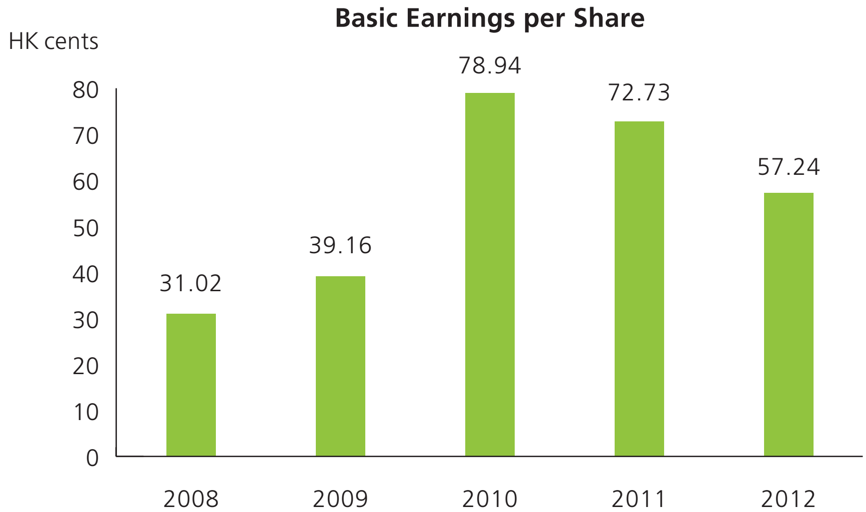
PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Profit attributable to shareholders of the Company for the year 2012 was HK$1,045 million, a decrease of 21.0% as compared with HK$1,323 million with a 5.0% decrease in profit from operations, increase in finance cost and a lower net gain on remeasurement of investment properties.



BASIC EARNINGS PER SHARE

Calculation of basic earnings per share for the year ended 2012 was based on the profit attributable to shareholders of the Company and the weighted average number of 1,825,641,060 ordinary shares (2011: 1,819,064,603 ordinary shares) in issue during the year. Basic earnings per share was 57.24 HK cents for 2012, a decrease of 21.3% as compared with 72.73 HK cents for 2011.



DIVIDEND PER SHARE

The Board of Directors proposed payment of a final dividend of 8.88 HK cents per share for the year ended 31 December 2012 (2011: 12.74 HK cents), together with the interim dividend of 11.78 HK cents (2011: 14.30 HK cents) already paid, the total dividend for 2012 was 20.66 HK cents (2011: 27.04 HK cents).

FINANCE COSTS

The Group's finance costs increased by 68.0% to HK$326 million mainly due to increase of bank borrowings to finance the higher auto inventory in the PRC during the year.

INCOME TAX

Income tax increased by 3.6% to HK$516 million. Included in the tax charge for the year was a provision of HK$35 million for certain expenses in prior years not deductible by a subsidiary in Japan. We have also not recognised the deferred tax assets for losses incurred by certain subsidiaries in the PRC. Excluding the impact of the above, the effective tax rate for the year was 24.8% (2011: 22.9%).

NET ASSET VALUE PER SHARE

Calculation of net asset value per share was based on the net asset value of the Group of HK$8,904 million (31 December 2011: HK$8,475 million) and the 1,829,743,000 ordinary shares issued at 31 December 2012 (31 December 2011: 1,821,148,000 ordinary shares). Net asset value per share at 31 December 2012 was HK$4.87 (31 December 2011: HK$4.65 per share).

CAPITAL EXPENDITURE

In 2012, the Group's total capital expenditure was HK$1,052 million (2011: HK$1,214 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 of logistics facilities in mainland China and fixtures and fittings in Hong Kong
Other Business	– Properties
Corporate Office	– Equipment, fixtures and fittings

HK$ million	**2012**	2011	Change
Motor and Motor Related Business	**932**	659	273
Food and Consumer Products Business	**31**	53	(22)
Logistics Business	**63**	369	(306)
Other Business	**10**	118	(108)
Corporate Office	**16**	15	1
Total	**1,052**	1,214	(162)

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 had borrowed an AUD30 million 3-year term bank loan which had been swapped into USD by cross currency swap to reduce exchange and interest rate exposure.

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 2012, the Group recognised foreign currency forward contracts with a fair value of HK$4 million liabilities (31 December 2011: HK$61 million liabilities) as derivative financial instruments.

Interest Rate Exposure

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

In 2012, the Group had entered into a number of interest rate swaps with a total notional contract amount of HK$600 million to reduce the impact of interest rate fluctuation on its unsecured bank borrowings. These interest rate swaps will be expired in 2014 and 2015.

At 31 December 2012, together with the interest rate swaps entered in 2011, the Group had total outstanding interest rate swaps with a total notional contract amount of HK$1,144 million. At 31 December 2012, the Group recognised interest rate swaps with a fair value of HK$3 million liabilities (31 December 2011: HK$3 million liabilities) as derivative financial instruments.

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	2012	2011	Change
Operating profit before changes in working capital	**2,216**	2,290	(74)
Increase in working capital	**(408)**	(1,271)	863
Cash generated from operations	**1,808**	1,019	789
Income tax paid	**(555)**	(465)	(90)
Net cash generated from operating activities	**1,253**	554	699
Net cash used in investing activities	**(354)**	(1,201)	847
Dividends paid to shareholders of the Company	**(447)**	(492)	45
Net cash generated from other financing activities	**126**	1,788	(1,662)
Net increase in cash and cash equivalents	**578**	649	(71)

Operating profit before changes in working capital

Profit before taxation was HK$1,526 million in 2012 as compared to HK$1,863 million in 2011. After adding back the non-cash items like depreciation and amortisation and impairment losses and excluding the exceptional item like the net gain on remeasurement of investment properties, operating profit before changes in working capital was HK$2,216 million (2011: HK$2,290 million).

Increase in working capital

In 2012, working capital increased by HK$408 million which included decrease in trade and other payables of HK$1,503 million with the decrease in bills payable to automobile manufacturers, partly offset by decrease in inventories of HK$598 million mainly due to the decrease in vehicle stock in the PRC and decrease in trade and other receivables of HK$497 million.

In 2011, working capital increased by HK$1,271 million with the 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.

Net cash generated from operating activities

Cash generated from operations, after taking into account the increase in working capital, was HK$1,808 million (2011: HK$1,019 million). Netting off the tax paid of HK$555 million (2011: HK$465 million), net cash generated from operating activities was HK$1,253 million (2011: HK$554 million).

Net cash used in investing activities

Payment for purchase of fixed assets and lease prepayments in 2012 were HK$1,096 million (2011: HK$1,214 million) and net advances to jointly controlled entities was HK$195 million (2011: HK$24 million); after netting off the net cash inflow from investment activities including loan repayment from a holder of non-controlling interests during the year of HK$378 million (2011: net cash outflow for new investments of HK$268 million) and net proceeds from disposal of fixed assets of HK$559 million (2011: HK$305 million), net cash used in investing activities was HK$354 million (2011: HK$1,201 million).

Net cash generated from other financing activities

Net cash generated from other financing activities was HK$126 million (2011: HK$1,788 million). This was mainly due to the net proceeds from new bank loans and other loans of HK$626 million (2011: HK$2,035 million) and proceeds from shares issued under share option schemes of HK$45 million (2011: HK$37 million), offset by net cash outflow to holders of non-controlling interests of HK$174 million (2011: HK$53 million), interest paid of HK$326 million (2011: HK$194 million) and dividends paid to holders of non-controlling interests of HK$45 million (2011: HK$37 million).

GROUP DEBT AND LIQUIDITY

The financial position of the Group at 31 December is summarised as follows:

HK$ million	2012	2011	Change
Total debt	**6,409**	5,784	625
Cash and bank deposits	**3,225**	2,854	371
Net debt	**3,184**	2,930	254

The original denomination of the Group's borrowings as well as cash and bank deposits by currency at 31 December 2012 is summarised as follows:

HK$ million equivalent	HKD	RMB	JPY	USD	CAD	SGD	NTD	AUD	Others	Total
Total debt	2,907	2,713	17	309	11	51	159	242	–	**6,409**
Cash and bank deposits	245	2,625	236	68	3	14	18	–	16	**3,225**
Net debt / (cash)	2,662	88	(219)	241	8	37	141	242	(16)	**3,184**

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 2012, the Group's net gearing ratio was 27.2%, compared to 27.0% at 31 December 2011.

HK$ million	2012	2011	Change
Net debt	**3,184**	2,930	254
Shareholders' funds	**8,511**	7,909	602
Total capital	**11,695**	10,839	856
Net gearing ratio	**27.2%**	27.0%	0.2%

Net debt increased in 2012 mainly to finance the increase in working capital and increase of investments in mainland China.

The effective interest rate of the Group's borrowings at 31 December 2012 was 4.1% (31 December 2011: 4.8%).

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 2012, the borrowings were repayable as follows:

	HK$ million	% of total
Within 1 year or on demand	**3,471**	54%
After 1 year but within 2 years	**1,734**	27%
After 2 years but within 5 years	**1,204**	19%
Total	**6,409**	100%

Available Sources of Financing

In addition to cash and bank deposits of HK$3,225 million at 31 December 2012 (31 December 2011: HK$2,854 million), the Group had undrawn available loan facilities of HK$8,538 million (31 December 2011: HK$2,729 million), of which HK$789 million (31 December 2011: HK$200 million) was committed term loans and HK$7,749 million (31 December 2011: HK$2,529 million) was uncommitted money market lines. The Group also had available trade facilities amounting to HK$7,630 million (31 December 2011: HK$4,819 million). Borrowings by sources of financing at 31 December 2012 is summarised as follows:

HK$ million	**Total**	Utilised	Available
Committed facilities:			
Term loans and revolving loans	**4,207**	3,418	789
Uncommitted facilities:			
Money market lines	**10,647**	2,898	7,749
Trading facilities	**10,040**	2,410	7,630

This could be reconciled to the total debt at 31 December as follow:

HK$ million	**2012**	2011	Change
Utilised term loans and revolving loans	**3,418**	2,225	1,193
Utilised money market lines	**2,898**	3,158	(260)
Discounted bills and trade loans	**89**	397	(308)
Others	**4**	4	–
Total	**6,409**	5,784	625

PLEDGED ASSETS

At 31 December 2012, the Group's assets of HK$880 million (31 December 2011: HK$1,609 million) were pledged in relation to financing of discounted bills in Japan, issuance of bank acceptance drafts in mainland China, and purchase of vehicle stock in Canada and mainland China.

CAPITAL COMMITMENTS

Please refer to note 33(a) to the financial statements for details of capital commitments outstanding at 31 December 2012.

CONTINGENT LIABILITIES

Please refer to note 34 to the financial statements for details of contingent liabilities at 31 December 2012.

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 2012, the Group had complied with all of the above financial covenants.

FIVE YEAR SUMMARY

At year end (HK$ million)	**2012**	2011	2010	2009	2008
Total debt	**6,409**	5,784	3,302	2,436	2,909
Cash and bank deposits	**3,225**	2,854	1,991	1,895	1,643
Net debt	**3,184**	2,930	1,311	541	1,266
Shareholders' funds Note 1	**8,511**	7,909	6,848	5,490	4,904
Total capital Note 1	**11,695**	10,839	8,159	6,031	6,170
Capital employed Note 1	**14,920**	13,693	10,150	7,926	7,813
Net gearing ratio	**27.2%**	27.0%	16.1%	9.0%	20.5%
Interest cover (times)	**7**	13	19	12	8
Property, plant and equipment Note 2	**3,358**	3,070	2,115	1,763	1,634
Investment properties	**565**	875	704	808	910
Lease prepayments Note 2	**491**	382	299	315	270
Interest in associates	**236**	228	203	130	148
Interest in jointly controlled entities	**254**	239	356	258	234

For the year (HK$ million)	**2012**	2011	2010	2009	2008
Turnover	**48,014**	46,109	32,211	22,209	19,496
Profit attributable to shareholders Note 1	**1,045**	1,323	1,422	704	558
Basic earnings per share (HK cents) Note 1	**57.24**	72.73	78.94	39.16	31.02
Diluted earnings per share (HK cents) Note 1 and 3	**57.06**	72.40	78.57	39.16	31.02
Net gain / (loss) on remeasurement of investment properties	**43**	124	30	(12)	(3)
EBITDA	**2,362**	2,450	2,188	1,351	1,093
Dividend per share	**HK cents**	HK cents	HK cents	HK cents	HK cents
Interim	**11.78**	14.30	10.68	4.51	6.43
Final	**8.88**	12.74	12.77	11.29	2.95
Total	**20.66**	27.04	23.45	15.80	9.38

Notes:

1. In 2011, the Group had early adopted the amendments to Hong Kong Accounting Standard 12 "Income Taxes" which was effective for annual period commencing on or after 1 January 2012. As a result, figures for years 2008 to 2010 were restated.

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

3. The diluted earnings per share for the years 2008 to 2009 were the same as basic earnings per share as the potential ordinary shares in respect of outstanding share options were anti-dilutive.

FIVE YEAR KEY OPERATION DATA

Total number of new vehicles sold by DCH

Year	**2012**	2011	2010	2009	2008
Location					
Mainland China	**81,042**	85,448	58,833	40,337	23,556
Hong Kong	**8,798**	9,282	9,214	7,526	12,273
Macao	**2,058**	1,754	1,594	1,083	1,485
Other Markets	**2,718**	2,235	2,014	1,649	2,422
Total	**94,616**	98,719	71,655	50,595	39,736

Total number of 4S shops in mainland China

Year end	**2012**	2011	2010	2009	2008
4S shops	**69**	65	55	40	40

Total number of motor vehicle showrooms in Hong Kong

Year end	**2012**	2011	2010	2009	2008
Motor vehicle showrooms	**11**	13	13	12	13

Total number of DCH food retail outlets in Hong Kong

Year end	**2012**	2011	2010	2009	2008
DCH Food Mart	**39**	41	60	59	57
DCH Food Mart Deluxe	**46**	42	19	13	12
Total	**85**	83	79	72	69

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

At DCH, sustainability means growing and prospering with the community. We strive to create the best value to stakeholders in pursuit of a quality living over generations. We care and respect our society and environment. It is core to the Group's success and is an integral part of our corporate culture. As a well-established conglomerate with key interest in the consumer market, we are always committed to planning and growing our business in a sustainable way through engaging all stakeholders, including our customers, suppliers, environment, community and our employees.

In Annual Report 2012, we give a comprehensive account of our efforts made in work place quality, environmental protection, operating practice and community involvement which create social, environmental and economic value for a sustainable future.

WORK PLACE QUALITY

Working conditions

As at 31 December 2012, the Group had a total of 15,587 employees, an increase of 108 or 0.7% from 2011 level.

	31 December 2012	31 December 2011
DCH and its Subsidiaries		
Mainland China	**10,849**	10,655
Hong Kong and Macao	**3,658**	3,674
Other Locations	**454**	342
Sub-total	**14,961**	14,671
Associates and JCEs		
Mainland China	**614**	802
Hong Kong and Macao	**12**	6
Sub-total	**626**	808
Grand-total	**15,587**	15,479

In terms of geographic locations, there were 11,463 employees in mainland China, 3,670 employees in Hong Kong and Macao and 454 employees in other locations including Taiwan, Singapore, Japan and Canada.

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 programmes.

Competitive compensation and benefit programmes are important in employee motivation and retention. The Group reviews its remuneration schemes and benefit programmes 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.

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

To enhance employee engagement, the Group conducted an employee engagement survey in the latter half of 2012. The results will be analysed and action plans will be developed to address the priority issues raised by the employees.

Occupational health and safety

The Group strives to provide a healthy and safe working environment for all employees. We review and audit our safety systems regularly to maintain optimal standards and ensure compliance, and addressing health and safety issues immediately.

Development and training

The Group spends great 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 programmes, 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. The Group continues to receive "the Manpower Developer 1st award" from the Employees Retraining Board. Furthermore, 24 sales professionals from Hong Kong and mainland China have obtained the "Distinguished Salesperson Award" or "Outstanding Young Salesperson Award" at the "44th Distinguished Salesperson Award Programme" organised by the Hong Kong Management Association. Among them, one obtained the best performance award in the "Young Salesperson" category.

To prepare for future manpower needs, the Group has stepped up its efforts in internship, apprenticeship and traineeship programmes to nurture new talents. The management traineeship programme 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.

ENVIRONMENTAL PROTECTION

Emissions

As one of the leading motor dealers in Hong Kong and mainland China representing an array of motor brands, we concern about carbon emission and air quality. To minimise the impact on environment, we keep introducing eco-friendly vehicles and promoting alternate fuel vehicles, like electric car and buses. Moreover, we pioneered in introducing the emission reduction devices such as the selective catalytic reduction device for diesel buses.

We also distribute a variety of low energy consumption home electrical appliances to encourage energy saving. Induction cookers and hobs for flameless cooking best exemplify our efforts in promoting low carbon living.

Use of resources

The Group aims to protect the environment through implementing programmes to reduce the use of energy.

In the office floors of our headquarters, DCH Building:

- Traditional T-8 florescent tubes were replaced by energy saving T-5 tubes with electronic ballasts;

- A Central Control Monitoring System was installed to manage its air-conditioning system. Through the installation of Direct Digital Control to control the chiller system as a whole saves the electricity consumption of the chiller plants. A reduction of carbon emission by 5% was resulted; and

- An estimated saving of 40% energy consumption was achieved through regular cleaning of fan-coil units to preserve the efficiency of the system, and installation of electronic thermostats in all offices with temperature pre-set to ensure an ambient office environment is maintained.

At our vehicle service centres, food processing, electrical appliances manufacturing, and lubrication oil blending plants, we handle the waste of production with special care in an eco-friendly way and we embrace the principle of minimising carbon footprint in every step of our operation.

Support eco-friendly NGOs

To arouse the public's awareness of preserving the environment, the Group continuously supports green organisations for their eco-friendly work. We were a silver member of World Wide Fund for Nature and we sponsored their "Earth Hour" campaign to encourage energy saving in 2012. We also sponsored and participated in "Tree Planting Challenge" organised by Friends of Earth.

Green education

A "Green Care" committee was established in DCH in 2012 to promote green concepts among our staff. The 4Rs principle is disseminated to the employees through the intranet; talks, workshops, outings and seminars are organised to promote an environmentally responsible lifestyle among them.

Awards and recognitions

Through our dedicated effort in environmental protection, we were awarded the "Class of Excellence" in "Energywi$e Label and Wastewi$e Label of the Hong Kong Awards for Environmental Excellence", "Platinum Label" in the Low-carbon Office Operation Programme Labelling Scheme.

WWF Pearl Member 珍珠會員 2013/14 HONG KONG

LCMP PLATINUM CO_2 WWF LOW CARBON MANUFACTURING PROGRAMME

Carbon Audit 碳審計 綠色機構 Green Partner

OPERATING PRACTICE

Supply chain management

We committed to be a responsible corporation and that includes a good management of our suppliers so as to maintain the highest standard of products and supplies delivered to our customers. For all sort of products, compliance to international and domestic safety requirements is a pre-requisite for any collaboration with the Group, especially for our food products sourced from over 39 countries. Food safety is our top priority, hence, we require all food suppliers and manufacturers to comply with related stringent food safety regulations with necessary certifications.

Code of conduct

The Group 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 made aware of this Code of Conduct; they are also regularly required to acknowledge understanding of and compliance with it. All business units are also required on a bi-annual basis to report on their enforcement of and compliance with this behavioural guide.

Consumer protection

We spare no effort on protecting the interest of our customers whose private and personal data are kept with high confidentiality. We ensure customer rights are well protected by product warranty. As a distributor, DCH has laid down product warranty or recall mechanism with respective principals.

DCH emphasises the safety and quality of food products. All food products undergo stringent control and approval procedures, from sourcing, processing, delivery to sales at stores. Our own food processing centres have obtained HACCAP accreditation and ISO 22000 certification to fulfill our product responsibility.

Customer engagement

As a service-oriented corporation, we value our customer's voice and strive to provide excellent service. DCH is a founding member of the Hong Kong Association for Customer Service Excellence, which we share the mission of fostering customer service excellence and pursuing continuous customer service improvement. To achieve this, Customer Satisfaction Index surveys are conducted regularly to keep track of our service performance level and motivate us to do better in order to attain the highest customer satisfaction.

用心服務 多行1步

HKACE
香港優質顧客服務協會
Hong Kong Association for Customer Service Excellence

Anti-corruption

As an effort to ensure high standards of business ethics and personal conduct of our employees, talks were organised with the Independent Commission Against Corruption on corruption prevention and situations handling. During the year, 11 sessions were organised and a total of 744 employees at various levels attended.

The Group has also in place a whistle blowing policy where employees, customers or members of the public can report mal-practice of the Group or its employees to the responsible executives of the Group for investigation and handling.

COMMUNITY INVOLVEMENT

As a good corporate citizen, DCH endeavours to engage itself in contributing to the community. We embrace our Corporate Social Responsibility ("CSR") philosophy "For a Better Living", aiming to bring a better life and spread love and care to the overall community where we have our footprints.

Charitable donation

DCH brought back to the society through making donation in cash or in kind to different non-profit making organisations, such as Medecins Sans Frontieres, Orbis, the Community Chest, UNICEF and Will In Action in the year under review. DCH also leveraged on its own strength and expertise to build a better society. For example, with rich experience in the motor industry, we continued to provide vehicle inspection service for Life Education Activity Programme and motor leasing service for Oxfam Trailwalker, a large scale fund raising event to help the poverty.

We care about the food needs of the underprivileged. We have been supporting the Food Bank of Kwun Tong Methodist Social Service Centre for 4 years. And we continued to be the rice sponsor of the annual Oxfam Rice Sale. In this year, we also encouraged staff to donate the rice pack they bought to Food Bank, doubling the effect and extending the number of beneficiaries. Besides, we are a long term supporter of the Oxfam Trailwalker event, sponsoring healthy drinks and food supplies over the years.

Social service

DCH's community service focuses on care and assistance for the elderly, children and the underprivileged across Hong Kong, mainland China and beyond. Elderly home visits, outings and programmes with underprivileged children, visually impaired people, children with learning disabilities are among the diverse activities that we were involved in. The Group encouraged staff and their families to actively participate in community service, contributing a total of 4,000 service hour in 2012.

Care for the elderly

During the year, we cooperated with a number of charitable organisations to bring love and care to senior citizens. Elderly service was always organised during Chinese traditional festivals. Our volunteers made healthy cookies, Chinese New Year pudding and Dragon Boat Festival rice dumplings for elderly visit and we had a vegetarian feast with over 100 elderly on the Buddha's birthday. Outings with live alone elderly to the Peak and the Hong Kong Museum of History were organised.

DCH Volunteer Team

Care for the children

We believe that children are our future. In the year under review, we focused to care for the children from underprivileged family and with learning disabilities. Outings were organised with them to visit music farm, museums and the Noah's Ark to broaden their horizon and experience a fun day with our volunteers.

Care for the underprivileged

For the underprivileged, we organised service for people with physical disability such as people in wheel chair or visually impaired. We wish to send love and care to those who are in lack of social resources and support.

DCH volunteer team

A team of enthusiastic volunteers have made DCH's social service a success. In 2012, the organisational structure of DCH Volunteer team was further enhanced. With such a formal and organised body chaired by our staff volunteer, we plan to step up our effort to launch more social services effectively to extend our care to more people in need and to spread the culture of love within the Group. Volunteer development is our focus to sustain the volunteer team. To train up volunteers, we equipped our staff volunteers with different skills such as providing first aid training, leadership training and knitting class. A "Knitting for Charity" campaign was launched during the year and our staff contributed 150 scarves knitted by them. The scarves were donated to an elderly's home, bringing a warm winter to the elderly. We value and recognise volunteer's contribution through the volunteer appreciation ceremony held every year. Certificates and awards will be presented in the ceremony to honour our devoted volunteers.

Spreading Love Beyond Hong Kong-Mobile Classroom Project

As the Group's business keeps growing in mainland China, we also extended our care to the PRC. Starting from 2010, DCH has donated a total of HK$1 million to acquire and sponsor two minivans, namely Mobile Classroom One and Two founded by the Chinese YMCA of Hong Kong. Mobile Classroom, a van fully equipped with resources such as textbooks and educational toys, has been paying regular visits to villages and schools located in some of the most remote and rural areas, with the mission of keeping children's hopes alive through the provision of all-round educational support.

The two pioneering vehicles have accommodated more than a hundred volunteers in serving over 3,000 beneficiaries since Spring 2011.

In 2012, eight volunteers coming from various offices of the Group including Hong Kong, Shenzhen, Shantou, Shanghai and Kunming took part in a seven-day service journey to visit schools and villagers in rural areas in Sichuan, sending the villagers not only the warmest regards but also the hope for a better education brought by the Mobile Classroom.

To sustain the operation of the two mobile classrooms, we keep our effort to engage staff's support in this meaningful project. A charity book sale was held in the office to raise fund and staff's response was overwhelming.

With the mobile classroom project running successfully in mainland China, we will step up our effort in enhancing our CSR initiatives in the PRC, where we have establishments.

Awards and recognitions

We have been awarded the "Caring Company" logo by The Hong Kong Council of Social Service for over 5 consecutive years since 2006, recognising our effort in fulfilling corporate social responsibility. Our dedication in charitable campaigns was also acknowledged with the "Outstanding Fundraiser Award" in the Oxfam Rice Sale 2012. For volunteer service participation, we maintained a Gold Certificate from the Social Welfare Department and a Gold Award in the Corporate Contribution Programme of the Community Chest of Hong Kong.

5 consecutive years
商界展關懷
caringcompany® 2007-12
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

CORPORATE GOVERNANCE PRACTICES

Dah Chong Hong Holdings Limited ("DCH") 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, we strive to ensure a healthy and safe working environment for our staff, which is our paramount concern. We endeavour to contribute to the sustainable development of DCH, with particular focus on our accountability to shareholders and stakeholders. This report describes how DCH has applied its corporate governance practices to its everyday activities.

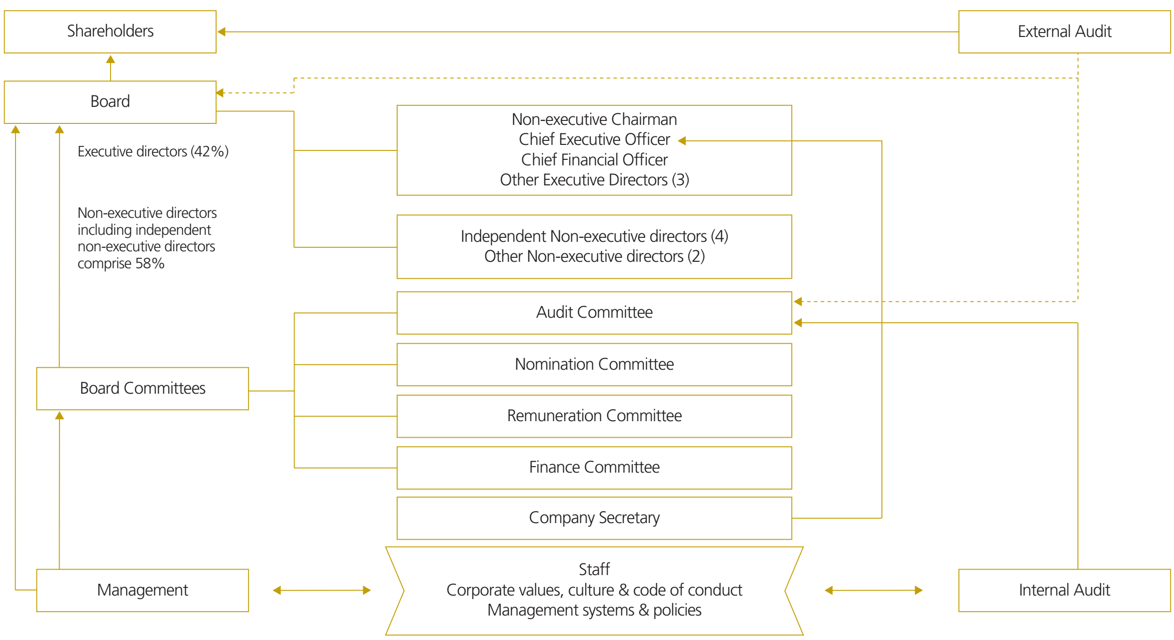
Save as disclosed below, DCH has applied the principles and complied with all code provisions of the Code on Corporate Governance Practices (which was effective until 31 March 2012) during the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code (which was effective from 1 April 2012) ("CG Code") during the period from 1 April 2012 to 31 December 2012 as set out in Appendix 14 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). In respect of code provision A.6.7 of the CG Code, Mr Yin Ke (a then non-executive director) and Mr Fei Yiping (a non-executive director) were not able to attend the annual general meeting of DCH held on 16 May 2012 ("2012 AGM") due to other engagements and Mr Kwok Man Leung (a non-executive director) was unable to attend the 2012 AGM as he was ill.

For the year 2012, DCH had made further progress with its corporate governance practices including:
- Formalised DCH's corporate governance policy and inside information/price sensitive information disclosure policy;
- Established the Nomination Committee and held two meetings to review the board composition and diversity and to identify additional candidates to be appointed as an independent non-executive director of DCH;
- Appointment of one additional independent non-executive director and resignation of one non-executive director – the Board now comprises five executive directors and seven non-executive directors of whom four are independent;
- Carried out a self assessment of the performance of the Board;
- Rolled out the Directors' Continuing Professional Development ("CPD") Programme, including site visits to DCH subsidiaries in the PRC, attending presentations and reviewing relevant reading materials on developments in laws and regulations and corporate governance.

Looking ahead, we will keep our governance practices under continual review to ensure their consistent application and will continue to improve our practices.

CORPORATE GOVERNANCE STRUCTURE

The following chart depicts the corporate governance structure of DCH.



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 DCH. The Board provides direction and approval in relation to matters concerning DCH'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, directors of DCH are required to pursue excellence in the interests of the shareholders and fulfill their fiduciary duties by applying the required levels of skill, care and diligence to a standard in accordance with the statutory requirements.

During the year, the Board has performed a self-evaluation of its performance and reviewed the contribution required from a director to perform his responsibilities. The Board is of the view that all directors have given sufficient time and attention to the Group's affairs and the Board operates effectively as a whole.

Board composition and changes during 2012

In compliance with the recent requirement under Rule 3.10A of the Listing Rules that the number of independent non-executive directors must represent at least one-third of the board, a new independent non-executive director was appointed and a non-executive director resigned both effective on 31 December 2012. Following the changes, the Board comprises five executive directors, three non-executive directors and four independent non-executive directors as defined under the Listing Rules. Non-executive directors (including independent non-executive directors) comprise 58% of the Board of which independent non-executive directors make up more than 33%. In addition, as required under Rule 3.10 of the Listing Rules, at least one of the independent non-executive directors has appropriate professional qualifications or accounting or related financial management expertise. No independent non-executive director has served DCH for more than nine years. Currently, three non-executive directors are not independent (as considered by the Stock Exchange) as Mr Kwok Man Leung is an executive vice president of CITIC Pacific Limited ("CITIC Pacific", the controlling shareholder of DCH); Mr Fei Yiping is the group financial controller of CITIC Pacific; and Mr Hui Ying Bun was re-designated from executive Chairman to non-executive Chairman with effect from 1 January 2012. DCH 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 55 to 57.

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. Each director has entered into an appointment letter with DCH and pursuant to Article 104(A) of DCH'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.

Mr Chan Kay Cheung was appointed as an independent non-executive director of DCH with effect from 31 December 2012. He will hold office until the forthcoming annual general meeting of DCH to be held on 13 May 2013 and is then eligible for re-election at such meeting. Thereafter, he will be subject to retirement by rotation and re-election in accordance with DCH's New Articles of Association. Induction materials were provided to Mr Chan upon appointment and subsequently briefing sessions were given to him so that he has a proper understanding of DCH's operations and businesses and is aware of his responsibilities under the requirements of the relevant regulatory bodies.

Board responsibilities and delegation

The Board collectively determines the overall strategies of DCH, monitors performance and the related risks and controls in pursuit of the strategic objectives of DCH. Day-to-day management of DCH is delegated to the executive director or officer in charge of each business unit and function who reports back to the Board. Every director ensures that he gives sufficient time and attention to the affairs of DCH. 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 DCH, including reports and recommendations on significant matters. All Board members are provided with monthly management updates of the business operations of DCH. 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.

DCH 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 45 to 48.

Directors' CPD Programme

DCH has rolled out a CPD Programme for directors with an aim to improve their general understanding of DCH's business, to refresh their knowledge and skills as well as to receive updates on developments in corporate governance practices. In addition, directors may also choose to attend external courses, conferences and luncheons organised by various local organisations.

Under DCH's CPD Programme, the Board visited 4S shops, food processing and logistics facilities in the PRC in April and in November 2012. Directors also attended briefings from business units on the performance of business segments, and reviewed the monthly business updates and other reading materials provided to them concerning latest developments in corporate governance practices and relevant legal and regulatory developments. A record of the directors' participation in the CPD Programme is kept with the company secretary.

A summary of directors' participation in DCH's CPD Programme for the period from 1 January 2012 to 31 December 2012 is as follows:

Name of Director	Type of CPD Programme (Key)
Executive Directors	
Mr Yip Moon Tong – *Chief Executive Officer*	A, B, C, D, E
Mr Mak Kwing Tim (retired with effect from 15 May 2012)	A, C, D
Mr Lau Sei Keung	A, B, C, D, E
Mr Tsoi Tai Kwan, Arthur	A, B, C, D, E
Mr Glenn Robert Sturrock Smith	A, B, C, D, E
Mr Wai King Fai, Francis – *Chief Financial Officer*	A, B, C, D, E
Non-executive Directors	
Mr Hui Ying Bun – *Chairman*	A, B, C, D, E
Mr Kwok Man Leung	A, B, C, D, E
Mr Fei Yiping	A, B, C, D, E
Mr Yin Ke (resigned with effect from 31 December 2012)	A, C, D, E
Independent Non-executive Directors	
Mr Cheung Kin Piu, Valiant	A, B, C, D, E
Mr Hsu Hsung, Adolf	A, B, C, D, E
Professor Yeung Yue Man	A, B, C, D, E
Mr Chan Kay Cheung (Note)	

Keys:
A. Briefings from business units
B. Board visits
C. Monthly regular information updates
D. Seminars
E. Circulars or guidance notes from governmental and professional organisations

Note: Mr Chan Kay Cheung was appointed as independent non-executive director with effect from 31 December 2012. Induction materials and briefings were provided to Mr Chan upon his appointment.

The Board is of the view that the CPD events during the year satisfied the defined scope of Directors' CPD programme of DCH and that DCH was compliant with code provision A.6.5 of the CG Code.

Board meetings and attendance

The Board meets regularly to review financial and operating performance of DCH and to discuss future strategy. Four Board meetings were held in 2012. At the Board meetings, the Board reviewed significant matters including DCH's annual and interim financial statements, annual budget, interim dividend, proposals for final dividend, annual report and interim report, formalised and adopted corporate governance policy and inside information/price sensitive information disclosure policy and evaluated Board performance. Throughout the year, directors also participated in the consideration and approval of routine and operational matters of DCH by way of circular resolutions with supporting background and explanatory materials as and when required. In November 2012, a Board meeting was held in Shanghai, PRC where the Board paid site visits to 4S shops, food processing and logistics facilities in Shanghai. A schedule of Board meetings dates is fixed for each year ahead whenever possible and the date of the next regular Board meeting is fixed at the close of each Board meeting. At least 14 days' formal 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 company secretary assists the Chairman in preparing the agenda for the Board meeting and ensures all applicable rules and code provisions regarding the Board meetings are followed. 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 and Board committees are kept by the company secretary. The minutes are available to all directors for inspection. All members of the Board have access to the advice and services of the company secretary. During the year ended 31 December 2012, the Chairman held a private meeting with the non-executive directors (including independent non-executive directors) without the presence of the executive directors.

The attendance record of each director at Board meetings and the 2012 AGM is set out below:

Name of Director	Board Meeting	2012 AGM
Executive Directors		
Mr Yip Moon Tong – *Chief Executive Officer*	4 / 4	1 / 1
Mr Mak Kwing Tim *(Note 1)*	1 / 1	0 / 0
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 Hui Ying Bun – *Chairman*	4 / 4	1 / 1
Mr Kwok Man Leung	4 / 4	0 / 1
Mr Fei Yiping	2 / 4	0 / 1
Mr Yin Ke *(Note 2)*	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
Mr Chan Kay Cheung *(Note 3)*	0 / 0	0 / 0

Notes:

1. Mr Mak Kwing Tim retired as executive director with effect from 15 May 2012.
2. Mr Yin Ke resigned as non-executive director with effect from 31 December 2012.
3. Mr Chan Kay Cheung was appointed as independent non-executive director with effect from 31 December 2012.

Chairman and Chief Executive Officer

Mr Hui Ying Bun serves as the non-executive Chairman and Mr Yip Moon Tong as the Chief Executive Officer of DCH. They have separate defined responsibilities whereby the non-executive Chairman is primarily responsible for leadership and effective functioning of the Board, and the Chief Executive Officer is responsible for the day-to-day management of DCH'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.

Company Secretary

The company secretary, Ms Tso Mun Wai, is a full time employee of DCH's listed parent company, CITIC Pacific. She has been the company secretary of DCH since 2007. The company secretary reports to the Chief Executive Officer and is responsible for advising the Board on corporate governance matters and ensuring that the Board procedures are followed and Board activities are efficiently and effectively conducted. The appointment and removal of the company secretary is subject to Board approval in accordance with the New Articles of Association of DCH. For the year under review, Ms Tso completed not less than 15 hours of relevant professional training.

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 fees for directors were approved by the shareholders at general meetings in accordance with the New Articles of Association of DCH. The full terms of reference are available on DCH's website and the Stock Exchange's website.

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 DCH serves as the secretary of the committee. The committee secretary prepared full minutes of the remuneration committee meetings and the draft minutes are sent to all committee members.

The composition of the remuneration committee as well as the meeting attendance during the year 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 2012

During the year, the remuneration committee held one meeting. The remuneration committee reviewed the remuneration policies and approved the salaries and bonus 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 and Chief Executive Officer about proposals relating to the remuneration packages of other executive directors and senior management. The remuneration committee also approved the grant of share options to senior management and employees of the Group to subscribe for a total of 24.45 million ordinary shares of HK$0.15 each in the capital of DCH at an exercise price of HK$7.40 per share under the Post-IPO share option scheme adopted by DCH on 28 September 2007. Further details of such grant are set out in the announcement of DCH dated 8 June 2012.

Details of directors' emoluments and retirement benefits are disclosed on pages 121 to 122 and pages 147 to 148, respectively. Remuneration payable to members of senior management by band are disclosed on page 123. Details of the Pre-IPO Option Scheme, the Post-IPO Option Scheme and the movement of the share options during the year 2012 are disclosed on pages 73 to 79.

Audit Committee

The audit committee acts on behalf of the Board in providing oversight of DCH's financial reporting, annual audit and interim review, internal control as well as corporate governance. It consists of three independent non-executive directors, Mr Cheung Kin Piu, Valiant, Mr Hsu Hsung, Adolf and Professor Yeung Yue Man. The chairman of the committee is Mr Cheung Kin Piu, Valiant who has relevant professional qualifications and expertise in financial reporting matters. The audit committee meets at least twice a year with DCH's Chief Financial Officer, Mr Wai King Fai, Francis and the external and internal auditors attending the meetings, taking part in the discussions and answering 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 at least once a year in separate private sessions with the external auditor and the internal auditor without the presence of management.

Duties of the Audit Committee

The authority, role and responsibilities of the audit committee are set out in written terms of reference which are available on DCH's website and the Stock Exchange's website. The committee reviews its terms of reference at least once a year to ensure they remain in line with the requirements of the CG Code. Amendments to the terms of reference are submitted to the Board for approval.

Under its terms of reference, the audit committee shall:

- review and monitor the integrity of financial information of DCH and provide oversight of the financial reporting process;

- monitor the effectiveness of external audit and oversee the appointment, remuneration and terms of engagement of DCH's external auditor as well as their independence;

- oversee the system of internal control and risk management, including the Group's internal audit function as well as arrangements for concerns raised by staff on financial reporting and other matters ("whistle blowing"); and

- starting from March 2012, undertake corporate governance functions delegated from the Board, 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 DCH's compliance with the CG Code and disclosure of the corporate governance in the Environmental, Social and Governance Report.

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

Membership and Attendance

Members	**Attendance / Number of Meetings**
Independent Non-executive Directors	
Mr Cheung Kin Piu, Valiant – *Chairman*	3 / 3
Mr Hsu Hsung, Adolf	3 / 3
Professor Yeung Yue Man	3 / 3
Other Attendees	
Mr Wai King Fai, Francis – *Chief Financial Officer*	3 / 3
Internal Auditor	3 / 3
External Auditor	3 / 3

The company secretary acts as secretary to the committee. Sufficient resources are made available to the committee when required. An agenda and accompanying committee papers are sent to the committee members at least 3 days prior to each meeting. The company secretary prepares full minutes of the audit committee meetings with details of the matters considered by the committee members. The draft minutes are sent to all committee members for comment after each meeting and the final version of the minutes is sent to the committee members for their records within a reasonable time after the meeting.

The chairman of the committee summarises the activities of the committee and highlights issues arising and report to the Board after each audit committee meeting.

Work Done in 2012

During 2012 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 judgemental areas, before submission to the Board, reviewed the internal control system and the internal audit plan, findings and management's response; reviewed and recommended to the Board for adoption the terms of reference of audit committee, code of conduct, corporate governance policy, whistle blowing policy and inside information/price sensitive information disclosure policy.

In the audit committee meeting of February 2013, the audit committee reviewed and approved DCH's annual financial statements and annual report for the year ended 31 December 2012, and considered reports from the external and internal auditors. The audit committee recommended that the Board approves the 2012 annual report.

Nomination Committee

The principal role of the nomination committee is 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 reviews the structure, size and composition (including the skills, knowledge and experience) of the Board and makes recommendations on proposed changes to the Board to complement DCH's corporate strategy. It also assesses the independence of independent non-executive directors. The full terms of reference are available on DCH's website and the Stock Exchange's website.

The nomination committee consists of five non-executive directors, the majority of whom are independent non-executive directors. The chairman of the committee is Mr Hui Ying Bun, the Chairman of the Board. The general manager of the Group Human Resources & Administration Department of DCH serves as the secretary of the committee.

The nomination committee held two meetings in 2012 with full attendance by the committee members in person. The committee secretary prepared full minutes of the nomination committee meetings and the draft minutes are sent to all committee members. One set of resolutions was passed by circular by all the committee members during 2012.

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

Membership and Attendance

Members	Attendance / Number of Meetings
Non-executive Directors	
Mr Hui Ying Bun – *Chairman*	2 / 2
Mr Kwok Man Leung	2 / 2
Independent Non-executive Directors	
Mr Cheung Kin Piu, Valiant	2 / 2
Mr Hsu Hsung, Adolf	2 / 2
Professor Yeung Yue Man	2 / 2

Work done in 2012

During the year, two meetings were held. The nomination committee determined the criteria and the procedures for nomination of independent non-executive directors, reviewed the structure, size and composition of the Board taking into account the most recent amendments to the Listing Rules, identified, selected and recommended to the Board suitable candidates for directorship. On 14 February 2013, the nomination committee also recommended the re-election of all the retiring directors at the forthcoming annual general meeting.

Finance Committee

The finance committee is delegated the powers of the Board to establish or renew financial and credit facilities and undertake financial and credit transactions.

The finance committee currently comprises five executive directors. Work done by the finance committee in 2012 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, the Companies Ordinance (Chapter 32 of the laws of Hong Kong) (the "Companies Ordinance") and the applicable disclosure provisions of the Listing Rules. 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 Group's results of operation and financial position as disclosed in note 1(b) to the financial statements.

The responsibilities of the external auditor with respect to the financial statements for the year ended 31 December 2012 are set out in the Independent Auditor's Report on page 84.

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 DCH's external auditor for over 30 years. To promote the external auditor's independence, the audit engagement partner responsible for the audit of DCH is changed every seven years. The current audit partner was first appointed to audit the 2009 financial statements.

For the year ended 31 December 2012, the fees charged to the financial statements of the Group in respect of KPMG's statutory audit amounted to approximately HK$18.0 million. In addition, approximately HK$2.1 million was charged for other services, including interim review, tax services and audit of retirement plans. The fees of recurring audit services of subsidiaries performed by other auditors amounted to approximately HK$5.8 million and the fees of provision of other services were approximately HK$1.5 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 DCH'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.

DCH 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 51);

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 DCH'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 Organisations 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 Department of DCH 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 DCH in the years ahead.

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 Board 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.

BUSINESS ETHICS

Code of Conduct

At DCH, 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 DCH is not tarnished. To uphold a high standard of integrity in all aspects of everyday activities, DCH adopts a code of conduct which provides employees with a set of defined ethical standards for adherence. The code of conduct is posted on DCH'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 DCH, 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 the 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

DCH 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. DCH has established 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 of the Board. No whistle blowing instances were reported during the year under review.

Good Employment Practices

In Hong Kong, DCH 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

DCH 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 the year 2012. The interests held by individual directors in DCH's securities at 31 December 2012 are set out in the Report of the Directors on pages 80 to 81.

In addition to the requirements set out in DCH'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 responsibilities 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

DCH 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 DCH are as follows:

Information Disclosure on Corporate Website

DCH endeavours to disclose all material information about the Group to all interested parties as widely and as timely as possible. DCH maintains a corporate website at http://www.dch.com.hk where important information about DCH'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 DCH's website.

General Meetings with Shareholders

DCH'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 DCH 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 DCH on the same day as the poll.

Investor Relations

DCH 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.

Shareholder Rights

Set out below is a summary of certain rights of the shareholders of DCH as required to be disclosed pursuant to the mandatory disclosure requirement under the CG Code which took effect 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 DCH as at the date of the deposit carries the right of voting at general meetings of DCH, may require the directors of DCH 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 DCH 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 DCH 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 DCH.

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board of DCH 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
Telephone: +852 2768 3110
Fax: +852 2758 1117

The Investor Relations Department shall forward their enquiries and concerns to the Board and/or relevant Board committees of DCH 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 DCH 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) DCH 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 DCH 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 DCH 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 DCH'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 DCH, 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.

Article 108 of DCH's New Articles of Association provides 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 DCH 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.

CONSTITUTIONAL DOCUMENTS

At the 2012 AGM, the New Articles of Association of DCH have been amended to be in line with amendments made to the Listing Rules, and to make certain housekeeping amendments.

The major amendments include the following:

- to state that the chair of general meetings shall be taken in the following order: (i) Chairman; (ii) Deputy Chairman (if any); (iii) Chief Executive Officer; (iv) any director elected by a majority of the directors present at the commencement of the meeting; (v) a member chosen by the members present at the meeting;
- to allow the Chairman at a general meeting to exempt procedural and administrative matters from voting by poll;
- to remove the 5% threshold for voting on a resolution in which a director has an interest;
- to clarify 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 notice in writing of the intention to propose that person for election as a director and notice in writing by that person of his willingness to be elected shall have been given to DCH during the prescribed notice period;
- to clarify the method of attendance in a Board meeting;
- to state that a physical Board meeting should be held to discuss resolutions on a material matter where a director or substantial shareholder has a conflict of interest rather than a written Board resolution;
- to state that the auditors should be appointed and removed and their duties regulated in accordance with the provisions of the Companies Ordinance and the Listing Rules; and
- to align the provisions under the Companies Ordinance and the Listing Rules relating to despatch of corporate communication by DCH to its shareholders in electronic form and by means of website.

An updated version of the Memorandum and New Articles of Association of DCH is available on the websites of DCH and the Stock Exchange.

NON-COMPETITION UNDERTAKING

CITIC Pacific has executed a non-competition undertaking dated 28 September 2007 in favour of DCH to the effect that at any time during which the shares of DCH are listed on the Stock Exchange and CITIC Pacific and / or its associates are regarded as a controlling shareholder of DCH under the Listing Rules, (i) CITIC Pacific will not engage and will procure its subsidiaries (excluding DCH and its 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 DCH and its subsidiaries) and advised that during the year 2012, 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 DCH that it has fully complied with the terms of the non-competition undertaking. The independent non-executive directors of DCH 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 66, a Non-executive Director since January 2012. Mr Hui became an Executive Director of DCH on 18 July 2007 and the Chairman of DCH on 30 July 2007, and re-designated as a Non-executive Director of DCH on 1 January 2012. Mr Hui also serves as the chairman of the Nomination Committee of DCH. Mr Hui joined Dah Chong Hong, Limited ("Dah Chong Hong") in February 1966. Prior to his appointment as the Chairman of DCH 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 rationalisation of DCH to cope with the growth of the businesses.

EXECUTIVE DIRECTORS

Yip Moon Tong *Chief Executive Officer*

Aged 60, an Executive Director since July 2007, is the Chief Executive Officer of DCH. 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.

Lau Sei Keung

Aged 59, 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 64, 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 60, 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 ("FMCG") in the PRC, Hong Kong and Macao. He joined CITIC Pacific Limited ("CITIC Pacific", a controlling shareholder of DCH 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 FMCG. He is a past chairman and current director of GS1 (Hong Kong), a member of GS1 the global supply chain management organisation.

Wai King Fai, Francis *Chief Financial Officer*

Aged 53, 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 the Hong Kong Institute of Certified Public Accountants. Mr Wai has over 25 years of experience in the finance and accounting profession before joining DCH. 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 44, a Non-executive Director since July 2007. Mr Kwok is a Chartered Financial Analyst. He is an executive vice president 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 DCH listed on the Shenzhen Stock Exchange) with effect from 13 April 2011. He was an executive director of CITIC Pacific until 30 December 2012 and a non-executive director of CITIC Telecom International Holdings Limited ("CITIC Telecom", listed on the Stock Exchange) until November 2010.

Fei Yiping

Aged 49, a Non-executive Director since January 2010. Mr Fei is vice president and the group financial controller of CITIC Pacific, a director and the chief financial officer of CITIC Hong Kong (Holdings) Limited. He has over 13 years experience in accounting and financial management. He has been with CITIC Group Corporation, the ultimate holding company of DCH, since 1991. Between 2001 and 2008, Mr Fei first acted as treasurer and director of CitiSteel USA, Inc. and then as vice president of CITIC USA Holdings, Inc. and chief representative of CITIC Group Corporation in New York. When he returned to China in 2008, he became deputy director-general of the finance department of CITIC Group Corporation. Mr Fei was a non-executive director of CITIC Telecom until 21 February 2013.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Cheung Kin Piu, Valiant

Aged 67, an Independent Non-executive Director since September 2007. Mr Cheung also serves as the chairman of the Audit Committee of DCH. 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 ("BEA") 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 BEA.

Hsu Hsung, Adolf

Aged 74, an Independent Non-executive Director since September 2007. Mr Hsu also serves as chairman of the Remuneration Committee of DCH. 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 74, 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 was the chairman of the Pan-Pearl River Delta Panel under the Central Policy Unit until 31 December 2012.

Chan Kay Cheung

Aged 66, an Independent Non-executive Director since 31 December 2012. Mr Chan is a senior advisor of BEA, the vice chairman of The Bank of East Asia (China) Limited and the chairman of Shaanxi Fuping BEA Rural Bank Corporation. He joined BEA in 1965 and was appointed as an executive director and deputy chief executive of BEA in 1996 and 1997 respectively. He retired from BEA in May 2007 after serving for over 41 years. Mr Chan possesses extensive knowledge and experience in the banking industry. Mr Chan is currently an independent non-executive director of China Electronics Corporation Holdings Company Limited, Chu Kong Shipping Enterprises (Group) Company Limited, Hong Kong Food Investment Holdings Limited and SOCAM Development Limited, all listed on the Stock Exchange. Mr Chan is a fellow member of The Hong Kong Institute of Bankers, a member of the Process Review Committee for the oversight of Hong Kong Monetary Authority, a member of The Clearing and Settlement Systems Appeals Tribunal, a member of the Committee of Overseers of Lee Woo Sing College of The Chinese University of Hong Kong, a member of The China UnionPay International Advisory Group and an International Senior Economic Consultant of The People's Government of Shaanxi Province.

SENIOR MANAGEMENT

Lo Kai Sing, Paul

Aged 57, is the Senior Corporate Director and Chief Corporate Officer of the Group. He is the executive-in-charge of a range of Group corporate functions including human resources, information technology, properties, communications, marketing and advertising. Mr Lo joined the Group in August 1997 and served as the General Manager of Group Human Resources and Communications of the Group until October 2000. He then joined CITIC Pacific Group in 2005 and served as a director of Group Human Resources until he was transferred to the Group on 1 January 2013. Mr Lo has many years of experience in human resources management and corporate communications in a variety of industries.

Got Chong Key, Clevin

Aged 54, is a Senior Corporate Director of the Group and the executive-in-charge of the distributorship business of renowned motor brands such as Audi, Bentley, Honda and MAN in Hong Kong. Mr Got joined the Group in January 1999. He has more than 20 years experience in the motor industry.

Lee Tak Wah

Aged 48, is a Senior Corporate Director of the Group and the executive-in-charge of the management of the motor aftersale services, motor related business as well as the Nissan and Infiniti distributorship in Hong Kong. Mr Lee joined the Group in June 1999. He has more than 20 years experience in the motor industry.

Kuk Tai Wai, David

Aged 61, is a Corporate Director of the Group and 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 50, is a Corporate Director of the Group and the Managing Director of Guangdong Victory Electrical Appliance Manufacturing Co., Ltd. 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.

Ho Ming Kei, Wayne

Aged 52, is a Corporate Director of Corporate Planning and Management of the Group and is primarily responsible for performing business monitoring, planning and development in support of the Group's business performance and development initiatives. He joined DCH in October 1995. Mr Ho has over 20 years of experience in corporate and business development operations.

Wong Ming Yin

Aged 51, is a Corporate Director of the Group and the Director and General Manager of Dah Chong Hong Motors (China) Limited. Mr Wong 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.

Wong Yin Pong, Keith

Aged 58, is a Corporate Director of the Group and the General Manager of Rising Star Food Company Limited ("Rising Star Food", a joint venture between DCH and Brasil Foods S.A.) and is primarily responsible for managing and developing the business of Rising Star Food and the related food business development for the Group. Mr Wong joined the Group in January 2012. He has more than 30 years experience in the food, beverage and FMCG industry with major multi-national companies in the region.

Hui Kwong Lok

Aged 56, is a Corporate Director of the Group and the General Manager of Electrical Appliances Division 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.

REPORT OF THE DIRECTORS

The board (the "Board") of directors (the "Directors") of Dah Chong Hong Holdings Limited ("DCH") have pleasure in presenting to shareholders their report for the year ended 31 December 2012.

PRINCIPAL PLACE OF BUSINESS

DCH is incorporated and domiciled in Hong Kong and has its registered office in Hong Kong.

PRINCIPAL ACTIVITIES

DCH 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 38 to the financial statements.

DIVIDENDS

The Directors declared an interim dividend of 11.78 HK cents (2011: 14.30 HK cents) per share in respect of the year ended 31 December 2012 which was paid on 26 September 2012. The Directors recommended, subject to the approval of the shareholders at the forthcoming annual general meeting, the payment of a final dividend of 8.88 HK cents (2011: 12.74 HK cents) per share in respect of the year ended 31 December 2012 payable on 14 June 2013 to shareholders on the register of members at the close of business on 22 May 2013.

FINANCIAL STATEMENTS

The profit of DCH and its subsidiaries (together the "Group") for the year ended 31 December 2012 and the state of DCH's and the Group's affairs as at that date are set out in the financial statements on pages 85 to 167.

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$1.5 million (2011: HK$3.2 million).

FIXED ASSETS

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate percentage of sales attributable to the Group's five largest customers 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	
	2012	2011
The largest supplier	**11.0%**	13.4%
Five largest suppliers in aggregate	**40.8%**	44.8%

So far as the Directors aware, at no time during the year have the Directors, their associates or any shareholder of DCH (which to the knowledge of the Directors own more than 5% of DCH's share capital) had any interest in the above suppliers and customers.

BORROWINGS

Particulars of borrowings of DCH and the Group as at 31 December 2012 are set out in note 25 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 Lau Sei Keung
Mr Tsoi Tai Kwan, Arthur
Mr Glenn Robert Sturrock Smith
Mr Wai King Fai, Francis
Mr Mak Kwing Tim (retired with effect from 15 May 2012)

Non-executive Directors

Mr Hui Ying Bun
Mr Kwok Man Leung
Mr Fei Yiping
Mr Yin Ke (resigned with effect from 31 December 2012)

Independent non-executive Directors

Mr Cheung Kin Piu, Valiant
Mr Hsu Hsung, Adolf
Professor Yeung Yue Man
Mr Chan Kay Cheung (appointed with effect from 31 December 2012)

Biographical details of the Directors are set out on pages 55 to 57 of the 2012 Annual Report.

DCH 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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and DCH still considers such Directors to be independent.

In accordance with Article 95 of the New Articles of Association of DCH, Mr Chan Kay Cheung will hold office until the forthcoming annual general meeting and being eligible, offers himself for re-election. In addition, pursuant to Article 104(A) of the New Articles of Association of DCH, Messrs Glenn Robert Sturrock Smith, Wai King Fai, Francis, Kwok Man Leung and Cheung Kin Piu, Valiant shall retire by rotation from the Board at the forthcoming annual general meeting and, all being eligible, offer themselves for re-election.

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

DCH entered into an administrative services agreement with CITIC Pacific Limited ("CITIC Pacific", a controlling shareholder of DCH) on 28 September 2007, pursuant to which DCH 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 DCH or by either party giving six months' prior notice in writing to the other party. The charges payable by DCH 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 DCH for the above services for the year ended 31 December 2012 were HK$9.0 million (2011: HK$8.6 million).

DCH 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 DCH to CITIC Pacific for the use of the trademark.

CITIC Pacific has executed a non-competition undertaking dated 28 September 2007 in favour of DCH to the effect that at any time during which the shares of DCH are listed on the Stock Exchange and CITIC Pacific and / or its associates are regarded as a controlling shareholder of DCH under the Listing Rules, (i) CITIC Pacific will not engage and will procure its subsidiaries (excluding DCH and its 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 DCH. 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 2 and 4 to 5 of the section headed "Continuing Connected Transactions" in this report, none of DCH and its subsidiaries entered into any other contract of significance with DCH's controlling shareholders or their subsidiaries which were subsisting during the financial year ended 31 December 2012.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

None of the Directors has or at any time during the year had, an interest which is or was material, either directly or indirectly, in any contract with DCH or any of its subsidiary companies, which was significant in relation to the business of DCH, 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 35 to the financial statements. Some of these transactions also constitute "Continuing Connected Transactions" under the Listing Rules as summarised below.

CONTINUING CONNECTED TRANSACTIONS

During 2012, 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

On 2 January 2009 and 1 April 2009, DCH entered into certain 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 for a term of 3 years from 1 June 2009 to 31 May 2012 and in the PRC for a term of 3 years from 15 January 2009 to 14 January 2012. On 31 May 2012, DCH entered into new tenancy agreements in respect of the Hong Kong properties (the "New Tenancy Agreements") with the respective landlords for a further term of 3 years. Details of these tenancies are as follows:

Agreement Date	Location	Monthly Rental	Term
Tenancies in Hong Kong:		HK$	
1.4.2009 31.5.2012	7 / F–12 / F and 16 / F, CITIC Telecom Tower, 93 Kwai Fuk Road, Kwai Chung, New Territories, Hong Kong (Note a)	524,860.00 787,290.00 843,525.00 1,068,465.00	1.6.2009 – 31.5.2012 1.6.2012 – 31.5.2013 1.6.2013 – 31.5.2014 1.6.2014 – 31.5.2015
1.4.2009 31.5.2012	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	864,526.50 1,440,877.50 1,600,975.00 2,241,365.00	1.6.2009 – 31.5.2012 1.6.2012 – 31.5.2013 1.6.2013 – 31.5.2014 1.6.2014 – 31.5.2015
1.4.2009 31.5.2012	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, Nos. 220–248 Texaco Road, Tsuen Wan, New Territories, Hong Kong	203,968.00 318,700.00	1.6.2009 – 31.5.2012 1.6.2012 – 31.5.2015
1.4.2009 31.5.2012	G / F, Portion of 1 / F, Units 1A, 1B and 1C on 1 / F, 2 / F, 3 / F, 7 / F (storeroom) and 8 / F of No. 111 Lee Nam Road, Ap Lei Chau, Hong Kong (Note b)	685,995.85 1,249,069.05 1,306,216.00 1,505,413.94	1.6.2009 – 31.5.2012 1.6.2012 – 31.5.2013 1.6.2013 – 31.5.2014 1.6.2014 – 31.5.2015
1.4.2009 31.5.2012	DCH Building, No. 20 Kai Cheung Road, Kowloon, Hong Kong	4,902,959.50 9,165,953.76	1.6.2009 – 31.5.2012 1.6.2012 – 31.5.2015
Tenancy in the PRC:		RMB	
2.1.2009	Units 1102–1105, 11th Floor, CITIC Square, 1168 Nanjing West Road, Shanghai, the PRC	217,357.04	15.1.2009 – 14.1.2012 (Note c)

Notes:

(a) 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. The new tenancy agreement dated 31 May 2012 renewed the tenancy for such property other than 16th Floor.

(b) The new tenancy agreement dated 31 May 2012 renewed the tenancy for such property other than 3rd Floor and portion on 8th Floor and in addition leased Unit C on 12th Floor. The new tenancy agreement has been supplemented by a surrender agreement dated 26 February 2013, pursuant to which DCH surrendered a portion of the ground floor to the landlord. Thereafter, the monthly rental for such property was reduced to (i) approximately HK$1.2 million for the period from 31 December 2012 to 31 May 2013; (ii) approximately HK$1.2 million for the period from 1 June 2013 to 31 May 2014; and (iii) approximately HK$1.4 million for the period from 1 June 2014 to 31 May 2015.

(c) These premises continue to be leased from the relevant landlord under a new tenancy agreement (as amended) for a term from 15 January 2012 to 1 April 2013, for annual rental which does not exceed 0.1% of the applicable percentage ratios and therefore constitute de minimis continuing connected transactions under Rule 14A.33(3) of the Listing Rules exempt from the reporting, annual review, announcement and independent shareholders' approval requirements.

The annual cap (including rentals, management fees and other outgoings (other than those which are collected by relevant landlords from DCH for payments to independent third parties)) payable in respect of the tenancies in Hong Kong under the Tenancy Agreements for the financial year ended 31 December 2012 was HK$38.6 million. The aggregate amount paid by the Group to the relevant landlords in respect of the tenancies in Hong Kong under the Tenancy Agreements for the period from 1 January 2012 to 31 May 2012 was approximately HK$37.8 million which did not exceed the capped amount. The aggregate amount paid by the Group to the relevant landlord in respect of the tenancy in the PRC for the period from 1 January 2012 to 14 January 2012 was approximately RMB0.1 million.

The annual cap (including rentals, management fees and other outgoings (other than those which are collected by relevant landlords from DCH for payments to independent third parties)) payable under the New Tenancy Agreements for the financial year ended 31 December 2012 was approximately HK$102.7 million. The aggregate amount paid by the Group to the relevant landlords under the New Tenancy Agreements during the year was approximately HK$93.3 million which did not exceed the capped amount.

CITIC Pacific is a controlling shareholder of DCH. The respective landlords are wholly-owned subsidiaries of CITIC Pacific and are therefore connected persons of DCH. Accordingly, the transactions under the Tenancy Agreements and the New Tenancy Agreements constituted continuing connected transactions of DCH.

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

By the tenancy agreement (the "DCHL 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 DCH. CITIC Bank is a non-wholly owned subsidiary of CITIC Group Corporation. CITIC Group Corporation became the ultimate holding company of CITIC Pacific on 24 December 2008, which in turn is a controlling shareholder of DCH. Therefore, CITIC Group Corporation is a connected person of DCH. By virtue of being an associate of CITIC Group Corporation, CITIC Bank is a connected person of DCH.

The DCHL Tenancy Agreement with a term of 3 years from 15 February 2009 to 14 February 2012 at a rent of approximately HK$0.3 million per calendar month constituted a continuing connected transaction for DCH under the Listing Rules. The aggregate rental received by DCHL from CITIC Bank under the DCHL Tenancy Agreement during the period from 1 January 2012 to 14 February 2012 was approximately HK$0.4 million which did not exceed the capped amount of approximately HK$3.2 million.

Upon the expiry of the DCHL Tenancy Agreement, DCHL entered into a new tenancy agreement with CITIC Bank to renew the lease for a term of 3 years from 15 February 2012 to 14 February 2015 for annual rental which does not exceed 0.1% of the applicable percentage ratios and therefore constitute de minimis continuing connected transaction under Rule 14A.33(3) of the Listing Rules exempt from the reporting, annual review, announcement and independent shareholders' approval requirements.

3. **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 DCH) and FS Junling (collectively, the "Dealers"), all being vehicle dealers of a common motor vehicle manufacturer, 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.

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

The agreement has a term of 3 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 year ended 31 December 2012 of RMB50.0 million and (ii) the annual cap for purchase of vehicles by GZ Junjia from FS Junling for the financial year ended 31 December 2012 of RMB50.0 million. 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 DCH'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 approximately RMB10.7 million 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 approximately RMB6.3 million, 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 2 years and 9 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 year ended 31 December 2012 of RMB50.0 million and (ii) the annual cap for purchase of vehicles by Cixi Junjia from FS Junling for the financial year ended 31 December 2012 of RMB50.0 million. 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 approximately RMB3.5 million 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 approximately RMB0.9 million, 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 2 years and 8 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 year ended 31 December 2012 of RMB50.0 million and (ii) the annual cap for purchase of vehicles by SH Junjia from FS Junling for the financial years ended 31 December 2012 of RMB50.0 million. The aggregate amount paid by SH Junjia to FS Junling in respect of purchase of vehicles by SH Junjia from FS Junling during the year was approximately RMB9.0 million which did not exceed the capped amount. SH Junjia and FS Junling had not carried out any transaction in respect of sales of vehicles by SH Junjia to FS Junling during the year.

The Dealers are associates of a common connected person, namely Mr Mak Hing Lung ("Mr Mak") who is a substantial shareholder and director of various non-wholly owned subsidiaries of DCH. 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 DCH and the abovementioned transactions of cross-sales of vehicles constituted continuing connected transactions of DCH. Please also refer to the joint announcements of DCH and CITIC Pacific dated 18 May 2010 and 29 December 2010.

4. The guarantee arrangement in respect of a revolving bank acceptance draft facility of up to RMB40.0 million 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 8 March 2012, Guangzhou Guangbao (a company accounted for as a non-wholly owned subsidiary of DCH) arranged for a revolving facility of up to RMB40.0 million (equivalent to approximately HK$49.2 million) (the "RMB40M Bank Acceptance Draft Facility") from China CITIC Bank. The RMB40M Bank Acceptance Draft Facility has a term of 1 year from 8 March 2012 to 8 March 2013, under which China CITIC Bank would, on request, issue bank acceptance drafts for Guangzhou Guangbao to purchase motor vehicles in its ordinary and usual course of business.

To secure the RMB40M Bank Acceptance Draft Facility, (i) Guangzhou Guangbao was 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; (ii) Guangzhou Guangbao was further required to provide a pledge of motor vehicles in favour of China CITIC Bank to secure any outstanding sum under the RMB40M Bank Acceptance Draft Facility from time to time; and (iii) Mr Mak (the ultimate beneficial owner of the other 50% economic interest in Guangzhou Guangbao) had provided a guarantee in the amount of RMB40.0 million (equivalent to approximately HK$49.2 million).

China CITIC Bank is a non-wholly owned subsidiary of CITIC Group Corporation, the ultimate holding company of CITIC Pacific, which in turn is a controlling shareholder of DCH. China CITIC Bank is therefore a connected person of DCH. As such, the transactions under the RMB40M Bank Acceptance Draft Facility constituted continuing connected transactions for DCH.

Delight Star Enterprises Limited ("DSE", an indirect wholly-owned subsidiary of DCH) had provided a back-to-back indemnity in favour of Mr Mak for an amount of RMB20.0 million (equivalent to approximately HK$24.6 million) to cover 50% of Mr Mak's exposure under his guarantee in support of the RMB40M Bank Acceptance Draft Facility.

5. The guarantee arrangements in respect of revolving bank acceptance draft facilities of up to RMB30.0 million and RMB20.0 million respectively granted by China CITIC Bank to 廣州駿龍汽車有限公司 (Guangzhou Junlong Motors Limited) ("Guangzhou Junlong")

As disclosed in DCH's announcement dated 8 November 2011 and the 2011 Annual Report, DCH acquired 50% equity interest in Power Success Management Limited ("Power Success") and after the acquisition, Power Success and its subsidiaries including Guangzhou Junlong are then accounted for as non-wholly owned subsidiaries of DCH. Guangzhou Junlong had a pre-existing revolving facility of up to RMB30.0 million (equivalent to approximately HK$36.7 million) (the "RMB30M Bank Acceptance Draft Facility") from China CITIC Bank with a term which expired on 17 June 2012. Under the RMB30M Bank Acceptance Draft Facility, China CITIC Bank would, on request, issue bank acceptance drafts for Guangzhou Junlong to purchase motor vehicles in its ordinary and usual course of business.

To secure the RMB30M Bank Acceptance Draft Facility, (i) Guangzhou Junlong was required to maintain a cash balance of up to 20% of the maximum amount of the RMB30M Bank Acceptance Draft Facility in a specified repayment account held with China CITIC Bank. The bank acceptance drafts would be repaid through the repayment account after the motor vehicles have been sold; (ii) Guangzhou Junlong was further required to provide a pledge of motor vehicles in favour of China CITIC Bank to secure any outstanding sum under the RMB30M Bank Acceptance Draft Facility from time to time; and (iii) a guarantee by Mr Mak had been provided in the amount of RMB30.0 million (equivalent to approximately HK$36.7 million).

Upon the expiry of the RMB30M Bank Acceptance Draft Facility, Guangzhou Junlong has on 19 October 2012 arranged for a revolving facility of up to RMB20.0 million (equivalent to approximately HK$24.6 million) (the "RMB20M Bank Acceptance Draft Facility") from China CITIC Bank. The RMB20M Bank Acceptance Draft Facility has a term of 1 year from 19 October 2012 to 19 October 2013, and has similar terms to the RMB30M Bank Acceptance Draft Facility other than loan facility and guarantee amounts.

China CITIC Bank is a non-wholly owned subsidiary of CITIC Group Corporation, the ultimate holding company of CITIC Pacific, which in turn is a controlling shareholder of DCH. China CITIC Bank is therefore a connected person of DCH. As such, the transactions under the RMB30M Bank Acceptance Draft Facility and the RMB20M Bank Acceptance Draft Facility respectively constituted continuing connected transactions for DCH.

DSE had provided back-to-back indemnities in favour of Mr Mak for respective amounts of RMB15.0 million (equivalent to approximately HK$18.3 million) and RMB10.0 million (equivalent to approximately HK$12.3 million) to cover 50% of Mr Mak's exposure under his respective guarantees in support of the RMB30M Bank Acceptance Draft Facility and RMB20M Bank Acceptance Draft Facility.

REVIEW OF NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Pursuant to Rule 14A.37 of the Listing Rules, the independent non-executive Directors 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 DCH as a whole.

DCH'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 "HKICPA"). 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 63 to 67 of the 2012 Annual Report in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditors' letter has been provided by DCH 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 DCH, and therefore such Contractual Arrangements would technically constitute connected transactions of DCH 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 2012 are set out below:

	Name of OPCO	Date of establishment of OPCO	Registered capital (Note xii) RMB million	Name of Registered Owner(s) / owner(s) and shareholding	Amount of loan advanced under the Contractual Arrangements RMB million	Name of OPCO Interest Beneficiary (Note xiii)	Group's attributable interests
1	江門昌運油品有限公司 (Chang Yun Oil Products Co. Ltd.)	20.5.2003	21.76	江門大昌貿易行有限公司 (Dah Chong Hong (Jiangmen) Limited) (Note i)	–	–	100%
2	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%
3	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%
4	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%
5	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%
6	廣東駿現汽車貿易有限公司 (Guangdong Junxian Motors Trading Limited)	7.7.2004	10	湛江市駿凱汽車技術服務有限公司 (Zhanjiang Junkai Motors Technology and Service Limited) (Note ii)	–	–	100%
7	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	仲玉林 (Zhong Yulin) (50%) 蔡兆敏 (Cai Zhaomin) (50%)	3 3	Dah Chong Hong Motors (China) Limited	100%
8	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%
9	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%

	Name of OPCO	Date of establishment of OPCO	Registered capital (Note xii) RMB million	Name of Registered Owner(s) / owner(s) and shareholding	Amount of loan advanced under the Contractual Arrangements RMB million	Name of OPCO Interest Beneficiary (Note xiii)	Group's attributable interests
10	廣東日產汽車貿易有限公司 (Guangdong Nissan Motor Trading Co., Ltd)	15.8.2000	10	王靜芬 (Wang Jingfen) (50%)	5	Dah Chong Hong Motors (Nissan-China) Limited	50%
11	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%
12	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%
13	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 iii)
14	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	廣州駿安貿易有限公司 (Guangzhou Junan Trading Limited) (55%)	16.5	Profit Paradise Investments Limited	27.5% (Note iv)
15	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 iii)
16	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) (Note v)	–	–	100% (Note vi)
17	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) (Note vii)	–	–	100% (Note vi)

	Name of OPCO	Date of establishment of OPCO	Registered capital (Note xii) RMB million	Name of Registered Owner(s) / owner(s) and shareholding	Amount of loan advanced under the Contractual Arrangements RMB million	Name of OPCO Interest Beneficiary (Note xiii)	Group's attributable interests
18	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) (Note vii)	–	–	100% (Note vi)
19	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) (Note viii)	–	–	100% (Note vi)
20	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) (Note vii)	–	–	100% (Note vi)
21	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) (Note v)	–	–	100% (Note vi)
22	深圳市慶鈴汽車貿易有限公司 (Shenzhen Qingling Motors Trading Limited)	18.2.2011	2	合眾汽車銷售服務(中國)有限公司 Triangle Motor Sales And Services (China) Co., Ltd. (Note ix)	–	–	100%
23	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) (Note x) (20%)	– 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%
24	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%

	Name of OPCO	Date of establishment of OPCO	Registered capital (Note xii) RMB million	Name of Registered Owner(s) / owner(s) and shareholding	Amount of loan advanced under the Contractual Arrangements RMB million	Name of OPCO Interest Beneficiary (Note xiii)	Group's attributable interests
25	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 iii)
26	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	上海駿佳摩托車銷售服務有限公司 (Shanghai Junjia Motorcycle Sale and Service Limited) (Note xi)	–	–	50% (Note iv)
27	揭陽市合盈汽車銷售服務有限公司 (Jieyang Heying Motors Sale and Service Limited)	23.03.2012	1	黃斐 (Huang Fei) (100%)	1	Triangle Motors (China) Limited	100%
28	東陽市眾運豐田汽車銷售服務有限公司 (Dongyang Zhongyun Toyota Motors Sale and Service Limited)	25.09.2012	10	深圳市深業實業有限公司 (Shenzhen Shenye Shiye Limited) (20%) 上海眾諾汽車銷售服務有限公司 (Shanghai Zhongnuo Motors Sale and Service Limited) (80%)	2 –	上海眾諾汽車銷售服務有限公司 (Shanghai Zhongnuo Motors Sale and Service Limited)	100%

Notes:

i. Registered Owners were changed from 張江長 (Zhang Jiangchang) (50%) and 李世猷 (Li Shiyou) (50%) to 江門大昌貿易行有限公司 (Dah Chong Hong (Jiangmen) Limited) (100%), nominated by Dah Chong Hong (China) Limited, during the year. Since then, the Contractual Arrangements ceased to apply to this subsidiary as it was no longer an OPCO.

ii. Registered Owners were changed from 程濟美 (Cheng Jimei) (20%) and 仲玉林 (Zhong Yulin) (80%) to 湛江市駿凱汽車技術服務有限公司 (Zhanjiang Junkai Motors Technology and Service Limited) (100%), nominated by Dah Chong Hong Motors (China) Limited, during the year. Since then, the Contractual Arrangements ceased to apply to this subsidiary as it was no longer an OPCO.

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

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

v. Registered Owner was changed from 李晨迪 (Li Chendi) (2%) to 深圳市深業實業有限公司 (Shenzhen Shenye Shiye Limited) (2%) during the year. Since then, the Contractual Arrangement ceased to apply to this subsidiary as it was no longer an OPCO.

vi. During the year, the Group acquired the remaining 50% equity interest of 深圳市深業實業有限公司 (Shenzhen Shenye Shiye Limited), which is the holding company of the company. Since then, the company became an indirect wholly-owned subsidiary of DCH.

vii. Registered Owner was changed from 張國興 (Zhang Guoxing) (2%) to 深圳市深業實業有限公司 (Shenzhen Shenye Shiye Limited) (2%) during the year. Since then, the Contractual Arrangement ceased to apply to this subsidiary as it was no longer an OPCO.

viii. Registered Owner was changed from 李浣樑 (Li Huanliang) (2%) to 深圳市深業實業有限公司 (Shenzhen Shenye Shiye Limited) (2%) during the year. Since then, the Contractual Arrangement ceased to apply to this subsidiary as it was no longer an OPCO.

ix. Registered Owner was changed from 黃斐 (Huang Fei) (100%) to 合眾汽車銷售服務(中國)有限公司 Triangle Motor Sales And Services (China) Co., Ltd. (100%), nominated by Triangle Motors (China) Limited, during the year. Since then, the Contractual Arrangement ceased to apply to this subsidiary as it was no longer an OPCO.

x. 0.02% of equity contribution is held under the Contractual Arrangement by 廣東日產汽車貿易有限公司 (Guangdong Nissan Motor Trading Co., Ltd).

xi. Registered Owner was changed from 李雪英 (Li Xueying) (100%) to 上海駿佳摩托車銷售服務有限公司 (Shanghai Junjia Motorcycle Sale and Service Limited) (100%) during the year. Since then, the Contractual Arrangement ceased to apply to this subsidiary as it was no longer an OPCO.

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

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

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

The independent non-executive Directors have reviewed the Contractual Arrangements and confirmed that (i) the terms of the subsisting Contractual Arrangements 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) no dividends or other distributions were declared by OPCOs for the year ended 31 December 2012 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 DCH as a whole.

DCH'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 HKICPA. The auditors have issued their letter containing their fact findings in respect of the conditions as set out in the Prospectus of DCH dated 4 October 2007, as required by the specific waiver granted by the Stock Exchange to DCH dated 28 September 2007. A copy of the auditors' letter has been provided by DCH to the Stock Exchange.

SHARE OPTION SCHEMES

Pre-IPO Share Option Scheme

DCH 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 DCH's shares on the Stock Exchange.

d. The grantee shall not, within 6 months from the listing of DCH, 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 from 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 DCH's shares upon listing.

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

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

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 DCH and are then exercisable in whole or in part within 5 years from the date of grant.

During the year ended 31 December 2012, 3,455,000 share options were exercised and none of the share options under the Pre-IPO Scheme were cancelled or lapsed. All the share options granted under the Pre-IPO Scheme had been exercised by the close of business on 2 October 2012.

A summary of the movements of the share options under the Pre-IPO Scheme during the year ended 31 December 2012 is as follows:

1. DCH Directors

Name of Director	Date of grant	Exercise period	Exercise price per share	Number of share options: Balance as at 1.1.2012	Granted during the year ended 31.12.2012	Lapsed / cancelled during the year ended 31.12.2012	Exercised during the year ended 31.12.2012	Balance as at 31.12.2012	Approximate percentage to the issued share capital
			HK$						
Hui Ying Bun	3.10.2007	17.4.2008 – 2.10.2012	5.880	500,000	–	–	500,000	–	–
Tsoi Tai Kwan, Arthur	3.10.2007	17.4.2008 – 2.10.2012	5.880	300,000	–	–	300,000	–	–
Glenn Robert Sturrock Smith	3.10.2007	17.4.2008 – 2.10.2012	5.880	300,000	–	–	300,000	–	–

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

Date of grant	Exercise period	Exercise price per share	Number of share options: Balance as at 1.1.2012	Granted during the year ended 31.12.2012	Lapsed / cancelled during the year ended 31.12.2012	Exercised during the year ended 31.12.2012	Balance as at 31.12.2012	Approximate percentage to the issued share capital
		HK$						
3.10.2007	17.4.2008 – 2.10.2012	5.880	2,355,000	–	–	2,355,000	–	–

The weighted average closing price of the shares of DCH immediately before the dates on which the share options were exercised was HK$8.64.

Post-IPO Share Option Scheme

DCH 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 DCH's businesses; to provide additional incentives to the employees of the Group and to promote the long term financial success of DCH by aligning the interests of grantees to DCH'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 DCH shall not in aggregate exceed 10% of (i) the shares of DCH in issue immediately following the commencement of dealings in DCH's shares on the Stock Exchange or (ii) the shares of DCH in issue from time to time, whichever is the lower. As at 27 February 2013, the maximum number of shares available for issue under the Post-IPO Scheme was 114,150,000, representing approximately 6.24% of the issued share capital of DCH. Share options lapsed in accordance with the terms of the Post-IPO Scheme or any other schemes of DCH 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 DCH in issue.

e. The exercise period of any share option granted under the Post-IPO Scheme must not be more than 10 years commencing from 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 DCH's shares as stated in the Stock Exchange's daily quotations sheets on the date of grant; (ii) the average closing price of DCH'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 DCH.

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, DCH has granted the following 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
8.6.2012	24,450,000	8.6.2013 – 7.6.2017*	7.400

* Subject to a vesting scale

The share options granted on 7 July 2010 were accepted and 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 closing price of the shares of DCH immediately before the grant on 7 July 2010 was HK$4.69 per share. The remaining contractual life of the share options is 2.5 years.

Of the share options granted on 8 June 2012, 24,250,000 were accepted and 200,000 were not as at the latest date of acceptance pursuant to the scheme rules (i.e. 5 July 2012). The share options granted are subject to a vesting scale. 25% of the share options granted will vest on the first anniversary of the date of grant. Further 25% will vest on the second anniversary of the date of grant and the remaining 50% of the share options granted will vest on the third anniversary of the date of grant. The vested options are exercisable in whole or in part within 5 years from the date of grant. The closing price of the shares of DCH immediately before the grant on 8 June 2012 was HK$7.49 per share. The remaining contractual life of the share options is 4.4 years.

During the year ended 31 December 2012, none of the share options under the Post-IPO Scheme were cancelled or lapsed, and 5,140,000 share options were exercised.

A summary of the movements of the share options under the Post-IPO Scheme during the year ended 31 December 2012 is as follows:

1. DCH Directors

Name of Director	Date of grant	Exercise period	Exercise price per share HK$	Number of share options: Balance as at 1.1.2012	Granted during the year ended 31.12.2012	Lapsed / cancelled during the year ended 31.12.2012	Exercised during the year ended 31.12.2012	Balance as at 31.12.2012	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	0.098%
Yip Moon Tong	7.7.2010	7.7.2010 – 6.7.2015	4.766	1,450,000	–	–	–	1,450,000	
	8.6.2012	8.6.2013 – 7.6.2017	7.400	–	1,800,000	–	–	1,800,000	
								3,250,000	0.178%
Mak Kwing Tim (Note 1)	7.7.2010	7.7.2010 – 6.7.2015	4.766	1,100,000	–	–	800,000	– (Note 2)	–
Lau Sei Keung	8.6.2012	8.6.2013 – 7.6.2017	7.400	–	1,450,000	–	–	1,450,000	0.079%
Tsoi Tai Kwan, Arthur	7.7.2010	7.7.2010 – 6.7.2015	4.766	1,100,000	–	–	1,100,000	–	
	8.6.2012	8.6.2013 – 7.6.2017	7.400	–	1,100,000	–	–	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	
	8.6.2012	8.6.2013 – 7.6.2017	7.400	–	1,100,000	–	–	1,100,000	
								2,200,000	0.120%
Wai King Fai, Francis	7.7.2010	7.7.2010 – 6.7.2015	4.766	800,000	–	–	–	800,000	
	8.6.2012	8.6.2013 – 7.6.2017	7.400	–	900,000	–	–	900,000	
								1,700,000	0.093%

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

Date of grant	Exercise period	Exercise price per share HK$	Number of share options: Balance as at 1.1.2012	Granted during the year ended 31.12.2012	Lapsed / cancelled during the year ended 31.12.2012	Exercised during the year ended 31.12.2012	Balance as at 31.12.2012	Approximate percentage to the issued share capital
7.7.2010	7.7.2010 – 6.7.2015	4.766	4,930,000 (Note 2)	–	–	1,790,000 (Note 2)	3,140,000	0.172%
8.6.2012	8.6.2013 – 7.6.2017	7.400	–	18,100,000	–	–	17,900,000 (Note 3)	0.978%

3. Others

Date of grant	Exercise period	Exercise price per share HK$	Number of share options: Balance as at 1.1.2012	Granted during the year ended 31.12.2012	Lapsed / cancelled during the year ended 31.12.2012	Exercised during the year ended 31.12.2012	Balance as at 31.12.2012	Approximate percentage to the issued share capital
7.7.2010	7.7.2010 – 6.7.2015	4.766	1,450,000 (Note 4)	–	–	1,450,000	–	–

Notes:

1. Mr Mak Kwing Tim retired as executive Director with effect from 15 May 2012.

2. After the retirement of Mr Mak Kwing Tim mentioned in Note 1 above, 300,000 share options were classified and added to the opening balance in 2 above. Thereafter, the said 300,000 share options were exercised by Mr Mak Kwing Tim in the capacity of an employee.

3. 200,000 share options were not accepted as at the latest date of acceptance pursuant to the scheme rule (i.e. 5 July 2012).

4. These are in respect of share options granted to a Director who has retired during the year.

The weighted average closing price of the shares of DCH immediately before the dates on which the share options were exercised was HK$8.18.

The average fair value of the share options granted under the Post-IPO Scheme during the year ended 31 December 2012 measured at the date of grant of 8 June 2012 was HK$2.30 per share option based on the following assumptions using the Binomial Lattice Model:

– Share price at the grant date	HK$7.40
– Exercise price	HK$7.40
– Expected volatility of DCH's share price	50% per annum
– Share option life	5 years
– Expected dividend yield	4.0% per annum
– Average risk-free interest rate (based on Hong Kong Exchange Fund Notes)	0.36% per annum
– Early exercise assumption	Option holders will exercise when the share price is at least 160% of the exercise price
– Rate of leaving service during the exercise period	6.0% per annum

The volatility rate of the share price of DCH was determined with reference to the movement of DCH's historical share price as well as the trend of the volatility rate over recent years.

Taking into account the probability of leaving employment and early exercise behaviour, the expected life of the grant was estimated to be about 4.1 years.

The total expense recognised in DCH's income statement for the year ended 31 December 2012 in respect of the grant of the aforesaid 24,250,000 share options for the shares of DCH is approximately HK$18.0 million based on the vesting scale.

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 as senior management is set out below:

Name of executive Director	**Monthly salary commencing in January 2013 HK$**	Monthly salary commencing in January 2012 HK$
Yip Moon Tong	**350,000**	250,000
Mak Kwing Tim (Note iv)	**–**	200,000
Lau Sei Keung	**235,000**	200,000
Tsoi Tai Kwan, Arthur	**200,000**	180,000
Glenn Robert Sturrock Smith	**200,000**	180,000
Wai King Fai, Francis	**220,000**	160,000

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 DCH and the individual for the year ending 31 December 2013.

iii. For information regarding the full details of Directors' remuneration for the year ended 31 December 2012, please refer to note 9 to the financial statements.

iv. Mr Mak Kwing Tim retired as executive Director with effect from 15 May 2012.

2. Mr Kwok Man Leung, a non-executive Director, has resigned as an executive director and was appointed as executive vice president of CITIC Pacific with effect from 31 December 2012.

3. Mr Fei Yiping, a non-executive Director, has resigned as a non-executive director of CITIC Telecom International Holdings Limited with effect from 21 February 2013.

DIRECTORS' INTERESTS IN SECURITIES

The interests of the Directors in shares of DCH or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as at 31 December 2012 as recorded in the register required to be kept under section 352 of the SFO were as follows:

1. Shares in DCH

Name of Director	Number of shares Personal interests unless otherwise stated	Approximate percentage to the issued share capital
Hui Ying Bun	900,000	0.049%
Yip Moon Tong	1,300,000 *(Note)*	0.071%
Lau Sei Keung	180,000	0.010%
Tsoi Tai Kwan, Arthur	350,000	0.019%
Glenn Robert Sturrock Smith	50,000	0.003%
Wai King Fai, Francis	100,000	0.005%

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

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%
Lau Sei Keung	1,000	0.00003%
Tsoi Tai Kwan, Arthur	18,000	0.00049%

(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 DCH

The interests of the Directors in the share options (being regarded as unlisted physically settled equity derivatives) of DCH are stated in detail in the preceding section of Share Option Schemes.

4. Share Options in Associated Corporations

CITIC Pacific Limited

				Number of share options					
Name of Director	Date of grant	Exercise period	Exercise price per share	Balance as at 1.1.2012	Granted during the year ended 31.12.2012	Lapsed / cancelled during the year ended 31.12.2012	Exercised during the year ended 31.12.2012	Balance as at 31.12.2012	Approximate percentage to the issued share capital
			HK$						
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				500,000	0.014%
Fei Yiping	19.11.2009	19.11.2009 – 18.11.2014	22.00	300,000	–	–	–	300,000	0.008%

Note: The share options were granted by CITIC Pacific.

Save as disclosed above, as at 31 December 2012, none of the Directors 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 DCH or its associated corporations or any interests which were required to be entered into the register kept by DCH pursuant to section 352 of the SFO or any interests which were required to be notified to DCH 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 DCH, its holding companies, or any of its subsidiary companies or fellow subsidiary companies, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, DCH or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2012, the interests of the substantial shareholders, other than the Directors or their respective associate(s), in the shares of DCH 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 DCH	Approximate percentage to the issued share capital
CITIC Group Corporation	1,027,307,000 (L)	56.14% (L)
CITIC Limited	1,027,307,000 (L)	56.14% (L)
CITIC Pacific Limited	1,018,800,000 (L)	55.68% (L)
Davenmore Limited	1,018,800,000 (L)	55.68% (L)
Colton Pacific Limited	800,922,200 (L)	43.77% (L)
Chadacre Developments Limited	245,102,000 (L)	13.40% (L)
Ascari Holdings Ltd.	217,877,800 (L)	11.91% (L)
Cornaldi Enterprises Limited	95,317,400 (L)	5.21% (L)
Schroders Plc	128,407,000 (L)	7.02% (L)
JPMorgan Chase & Co.	128,032,538 (L)	7.00% (L)
	107,714,551 (P)	5.89% (P)
AllianceBernstein L.P.	106,497,600 (L)	5.82% (L)
	9,408,000 (S)	0.51% (S)

Note: (L) – long position, (S) – short 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 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 1,027,307,000 shares through its non-wholly owned subsidiary, CITIC Pacific, as to 1,018,800,000 shares and its wholly-owned subsidiary, Hainsworth Limited, as to 8,507,000 shares.

CITIC Group Corporation was deemed to be interested in 1,027,307,000 shares through its wholly-owned subsidiary, CITIC Limited.

SHARE CAPITAL

Details of the movements in share capital of DCH during the year are set out in note 28 to the financial statements. Shares were issued during the year on exercise of share options.

DCH has not redeemed any of its shares during the year ended 31 December 2012. Neither DCH nor any of its subsidiary companies has purchased or sold any of DCH's shares during the year ended 31 December 2012.

SERVICE CONTRACTS

As at 31 December 2012, there were no service contracts which were not determinable by the employer within 1 year without payment of compensation (other than statutory compensation) between any company in the Group and any Director proposed for re-election at the forthcoming annual general meeting.

AUDITORS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to DCH and within the knowledge of the Directors, the Directors confirm that DCH maintained the amount of public float as required under the Listing Rules during the year ended 31 December 2012.

By order of the Board
Hui Ying Bun *Chairman*
Hong Kong, 27 February 2013

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 85 to 167, which comprise the consolidated and Company balance sheets as at 31 December 2012, 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 2012 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
27 February 2013

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

HK$ million	Note	**2012**	2011
Turnover	4	**48,014**	46,109
Cost of sales		**(42,411)**	(40,943)
Gross profit		**5,603**	5,166
Other income	6	**663**	494
Selling and distribution expenses		**(2,752)**	(2,303)
Administrative expenses		**(1,739)**	(1,488)
Profit from operations		**1,775**	1,869
Net gain on			
– remeasurement of investment properties	14(a)	**43**	124
– property re-classified as asset held for sale	7(d)	**78**	81
Impairment losses	7(c)	**(55)**	(44)
Finance costs	7(a)	**(326)**	(194)
Share of (loss) / profit after tax of associates		**(1)**	4
Share of profit after tax of jointly controlled entities	20(a)	**12**	23
Profit before taxation	7	**1,526**	1,863
Income tax	8	**(516)**	(498)
Profit for the year		**1,010**	1,365

Attributable to:			
Shareholders of the Company		**1,045**	1,323
Non-controlling interests		**(35)**	42
		1,010	1,365

Basic earnings per share (HK cents)	13(a)	**57.24**	72.73
Diluted earnings per share (HK cents)	13(b)	**57.06**	72.40

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

HK$ million	2012	2011
Profit for the year	**1,010**	1,365
Exchange differences on translation of financial statements of entities outside Hong Kong:		
– subsidiaries	**(11)**	208
– associates and jointly controlled entities	**3**	10
Release of exchange reserve upon disposal of subsidiaries, associates and jointly controlled entities	**–**	(2)
Other comprehensive income for the year, net of tax	**(8)**	216
Total comprehensive income for the year	**1,002**	1,581
Attributable to:		
Shareholders of the Company	**1,032**	1,518
Non-controlling interests	**(30)**	63
	1,002	1,581

CONSOLIDATED BALANCE SHEET

At 31 December 2012

HK$ million	Note	**2012**	2011
Non-current assets			
Fixed assets	14(a)		
– Property, plant and equipment		**3,358**	3,070
– Investment properties		**565**	875
		3,923	3,945
Lease prepayments	15	**491**	382
Intangible assets	16	**670**	710
Goodwill	17	**344**	347
Interest in associates	19	**236**	228
Interest in jointly controlled entities	20	**254**	239
Available-for-sale investments	21	**8**	8
Deferred tax assets	27(a)	**108**	103
		6,034	5,962
Current assets			
Inventories	22	**5,536**	6,056
Trade and other receivables	23	**5,464**	5,909
Current tax recoverable		**47**	41
Cash and bank deposits	24	**3,225**	2,854
		14,272	14,860
Current liabilities			
Borrowings	25	**3,471**	3,764
Trade and other payables	26	**4,556**	6,092
Current tax payable		**191**	201
		8,218	10,057
Net current assets		**6,054**	4,803
Total assets less current liabilities		**12,088**	10,765
Non-current liabilities			
Borrowings	25	**2,938**	2,020
Deferred tax liabilities	27(a)	**246**	270
		3,184	2,290
Net assets		**8,904**	8,475

CONSOLIDATED BALANCE SHEET (CONTINUED)

At 31 December 2012

HK$ million	Note	**2012**	2011
Capital and reserves	28		
Share capital		**274**	273
Reserves		**8,237**	7,636
Total equity attributable to shareholders of the Company		**8,511**	7,909
Non-controlling interests		**393**	566
Total equity		**8,904**	8,475

Approved and authorised for issue by the board of directors on 27 February 2013.

Hui Ying Bun
Director

Yip Moon Tong
Director

BALANCE SHEET

At 31 December 2012

HK$ million	Note	**2012**	2011
Non-current assets			
Investment properties	14(b)	**196**	159
Interest in subsidiaries	18	**5,133**	3,232
		5,329	3,391
Current assets			
Trade and other receivables	23	**1,426**	1,863
Cash and bank deposits	24	**144**	68
		1,570	1,931
Current liabilities			
Borrowings	25(a)	**475**	340
Trade and other payables	26	**166**	166
Current tax payable		**1**	1
		642	507
Net current assets		**928**	1,424
Total assets less current liabilities		**6,257**	4,815
Non-current liabilities			
Borrowings	25(a)	**2,933**	2,020
Deferred tax liabilities	27(a)	**1**	1
		2,934	2,021
Net assets		**3,323**	2,794
Capital and reserves	28		
Share capital		**274**	273
Reserves		**3,049**	2,521
Total equity		**3,323**	2,794

Approved and authorised for issue by the board of directors on 27 February 2013.

Hui Ying Bun
Director

Yip Moon Tong
Director

	Attributable to shareholders of the Company												
HK$ million	Share capital	Share premium	General reserve	Capital reserve	Statutory surplus reserve	Merger reserve	Share option reserve	Exchange fluctuation reserve	Asset revaluation reserve	Retained profits	Total	Non-controlling interests	Total equity
Note	(28(a))	(28(b))	(28(c))	(28(d))	(28(e))	(28(f))	(28(g))	(28(h))	(28(i))				
At 1 January 2011	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	–	–	–	–	–	–	–	–	–	–	–	257	257
Partial disposal of interest in subsidiaries	–	–	(1)	–	–	–	–	–	–	–	(1)	5	4
Disposal of jointly controlled entities	–	–	–	–	(2)	–	–	–	–	2	–	–	–
Exercise of share options (Note 28(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

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	(28(a))	(28(b))	(28(c))	(28(d))	(28(e))	(28(f))	(28(g))	(28(h))	(28(i))				
At 1 January 2012	**273**	**1,132**	**284**	**143**	**64**	**1**	**23**	**851**	**2**	**5,136**	**7,909**	**566**	**8,475**
Profit for the year	–	–	–	–	–	–	–	–	–	1,045	1,045	(35)	1,010
Other comprehensive income	–	–	–	–	–	–	–	(13)	–	–	(13)	5	(8)
Total comprehensive income for the year	–	–	–	–	–	–	–	(13)	–	1,045	1,032	(30)	1,002
Acquisition of non-controlling interests (Note 30)	–	–	(46)	–	–	–	–	–	–	–	(46)	(129)	(175)
Non-controlling interest arising from acquisition of a subsidiary (Note 31)	–	–	–	–	–	–	–	–	–	–	–	23	23
Share-based payments (Note 29)	–	–	–	–	–	–	18	–	–	–	18	–	18
Exercise of share options (Note 28(a))	1	56	–	–	–	–	(12)	–	–	–	45	–	45
Transfer from retained profits	–	–	9	–	4	–	–	–	–	(13)	–	–	–
Dividends (Note 12)	–	–	–	–	–	–	–	–	–	(447)	(447)	–	(447)
Dividends to holders of non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(37)	(37)
At 31 December 2012	**274**	**1,188**	**247**	**143**	**68**	**1**	**29**	**838**	**2**	**5,721**	**8,511**	**393**	**8,904**

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

HK$ million	Share capital	Share premium	Share option reserve	Retained profits	Total
Note	(28(a))	(28(b))	(28(g))	(28(j))	
At 1 January 2011	272	1,087	32	1,428	2,819
Total comprehensive income for the year	–	–	–	430	430
Exercise of share options (Note 28(a))	1	45	(9)	–	37
Dividends (Note 12)	–	–	–	(492)	(492)
At 31 December 2011	273	1,132	23	1,366	2,794
At 1 January 2012	**273**	**1,132**	**23**	**1,366**	**2,794**
Total comprehensive income for the year	**–**	**–**	**–**	**913**	**913**
Share-based payments (Note 29)	**–**	**–**	**18**	**–**	**18**
Exercise of share options (Note 28(a))	**1**	**56**	**(12)**	**–**	**45**
Dividends (Note 12)	**–**	**–**	**–**	**(447)**	**(447)**
At 31 December 2012	**274**	**1,188**	**29**	**1,832**	**3,323**

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2012

HK$ million	Note	**2012**	2011
Operating activities			
Profit before taxation		**1,526**	1,863
Adjustments for:			
– Net gain on remeasurement of investment properties		**(43)**	(124)
– Net gain on property re-classified as asset held for sale		**(78)**	(81)
– Depreciation and amortisation		**510**	393
– Impairment losses		**55**	44
– Finance costs		**326**	194
– Interest income		**(33)**	(23)
– Share of loss / (profit) after tax of associates		**1**	(4)
– Share of profit after tax of jointly controlled entities		**(12)**	(23)
– Net loss / (gain) on disposal of fixed assets		**4**	(10)
– Net loss on disposal of jointly controlled entities		**4**	2
– Share-based payments		**18**	–
– Net fair value (gain) / loss on foreign currency forward contracts		**(57)**	54
– Foreign exchange (gain) / loss		**(5)**	5
Operating profit before changes in working capital		**2,216**	2,290
Decrease / (increase) in inventories		**598**	(1,900)
Decrease / (increase) in trade and other receivables		**497**	(836)
(Decrease) / increase in trade and other payables		**(1,503)**	1,465
Cash generated from operations		**1,808**	1,019
Income tax paid		**(555)**	(465)
Net cash generated from operating activities		**1,253**	554

HK$ million	Note	**2012**	2011
Investing activities			
Payment for purchase of fixed assets		**(980)**	(1,140)
Payment for lease prepayments		**(116)**	(74)
Proceeds from disposal of fixed assets		**559**	303
Proceeds from disposal of lease prepayments		**–**	2
Proceeds from disposal of a jointly controlled entity		**1**	–
Capital injection from holders of non-controlling interests		**–**	12
Capital injection to associates		**(9)**	(13)
Capital injection to jointly controlled entities		**(5)**	(29)
Advance and repayment from associates		**1**	1
Advance and repayment to jointly controlled entities		**(3,144)**	(34)
Advance and repayment from jointly controlled entities		**2,949**	10
Loan repayment from a holder of non-controlling interests	23(f)	**111**	–
Net cash inflow / (outflow) for acquisitions of subsidiaries		**18**	(128)
Interest received		**37**	19
Dividends received from jointly controlled entities		**2**	7
Dividends received from associates		**9**	–
Decrease / (increase) in deposits with banks		**213**	(137)
Net cash used in investing activities		**(354)**	(1,201)
Financing activities			
Proceeds from bank and other loans drawdown		**19,096**	14,663
Repayment of bank and other loans		**(18,470)**	(12,628)
Partial disposal of interest in subsidiaries		**–**	4
Net cash used in acquisition of non-controlling interests		**(169)**	(5)
Advance and repayment to holders of non-controlling interests		**(64)**	(139)
Advance and repayment from holders of non-controlling interests		**59**	87
Interest paid		**(326)**	(194)
Dividends paid to shareholders of the Company		**(447)**	(492)
Dividends paid to holders of non-controlling interests		**(45)**	(37)
Proceeds from shares issued under share option schemes		**45**	37
Net cash (used in) / generated from financing activities		**(321)**	1,296
Net increase in cash and cash equivalents		**578**	649
Cash and cash equivalents at 1 January		**2,375**	1,672
Effect of foreign exchange rates changes		**(2)**	54
Cash and cash equivalents at 31 December	24	**2,951**	2,375

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 ("Listing Rules").

(b) Changes in accounting policies

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

The adoption of the amendments to HKFRS 7, Financial Instruments: Disclosures – Transfers of Financial Assets, 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 standard or interpretation that is not yet effective for the current accounting year.

(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.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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, and 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 net identifiable 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 financial asset 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, investments in subsidiaries are stated at cost less impairment losses (Note 1(m)).

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 net identifiable 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.

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 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)*.

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)).

Construction in progress represents property, plant and equipment under construction and is initially recognised in the balance sheet at cost. 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, other directly attributable costs and borrowing costs (Note 1(y)).

Gain or loss arising from the retirement or disposal of an item of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the item and is 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 term of lease, being no more than 50 years.

- 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 assets 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 an operating lease 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)).

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 each balance sheet date 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. 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 to be 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 and other receivables, whose recovery is considered doubtful but not remote. In this case, the provision for impairment of trade and other receivables are recorded separately.

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;

– 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 CGUs) and then, to reduce the carrying amount of the other assets in the unit (or group of CGUs) 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.

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 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 trade and other receivables (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 trade and other receivables.

(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 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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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 the Binomial Lattice Model, taking into account the terms and conditions upon which the options were granted.

Where the employees have to meet vesting conditions, the total estimated fair value of the options is spread over the vesting period. During the vesting period, the number of share options that is expected to vest is reviewed. The amount recognised as staff cost is adjusted to reflect the actual number of options that are vested (with a corresponding adjustment to share option reserve).

The equity amount is recognised in the share option reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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. For investment properties carried at fair value, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying values at the balance sheet date. Deferred tax assets and liabilities are not discounted.

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

(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 or the Company 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 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 and rebate

Commission income and rebate (except for supplier rebate referred in note 1(x) below) are recognised at the time when the goods concerned are sold or related service is rendered to customers.

(vii) Subsidy income

Subsidy income is recognised when the rights to receive payment has been established.

(viii) Dividend income

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

(ix) Interest income

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Supplier rebate

Supplier rebate is recognised as a deduction from cost of sales based on the expected entitlement earned up to the reporting date.

(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.

(z) 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 balance sheet date. 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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Related parties

(i) A person, or a close family member of that person, 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 parent of the Group.

(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.

(ab) 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.

2. POSSIBLE IMPACT OF NEW STANDARDS AND AMENDMENTS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2012

Up to the date of issue of these financial statements, the HKICPA has issued a number of new standards and amendments which are not yet effective for the current accounting year. The Group has not early adopted them for the year ended 31 December 2012.

The Group has made an assessment of the impact of these new standards and amendments in the period of initial application. It is concluded that the adoption of them does not have a significant impact on the Group's results of operation and financial position. 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

– Amendments to HKFRS 7, Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities

– Amendments to HKAS 32, Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities

– 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

– Annual improvements to HKFRSs 2011

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, other taxes and related surcharges

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 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 makes provision for impairment loss. Any change in the assumptions adopted in the cash flow forecasts would increase or decrease the provision for impairment loss and affect the Group's financial position.

Provision for impairment of trade and other receivables are assessed and made based on the management's regular review of ageing analysis and evaluation of collectibility. A considerable level of judgement is exercised by management when assessing the credit worthiness and past collection history of each individual customer. Any increase or decrease in such provision 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.

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 the 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 such 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 these assets and their residual values, if any. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimation.

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	**2012**	2011
Sales of motor vehicles, motor parts, accessories and motor services	**38,611**	37,180
Sales of food and consumer products	**8,908**	8,436
Logistics services and other related income	**407**	343
Revenue from other business	**88**	150
Total	**48,014**	46,109

5. SEGMENT REPORTING

The Group manages its businesses by business line and geographical location. 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 four small operating segments namely property business, advertising business, insurance business and other investments. The revenue from these segments are below the quantitative threshold 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.

(a) Segment results

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

HK$ million **Year ended 31 December 2012**	**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	4,986	31,959	1,666	38,611	4,443	3,650	815	8,908	237	170	407	88	–	48,014
Inter-segment turnover	2	–	–	2	6	4	–	10	116	18	134	80	(226)	–
Segment Turnover	4,988	31,959	1,666	38,613	4,449	3,654	815	8,918	353	188	541	168	(226)	48,014
Segment result from operations	303	999	(10)	1,292	213	117	(50)	280	23	(2)	21	80	–	1,673
Share of profit / (loss) after tax of associates	–	(11)	–	(11)	–	10	–	10	–	–	–	–	–	(1)
Share of profit / (loss) after tax of jointly controlled entities	6	4	–	10	(1)	–	–	(1)	–	(1)	(1)	4	–	12
Segment profit / (loss) before taxation	309	992	(10)	1,291	212	127	(50)	289	23	(3)	20	84	–	1,684
Segment income tax	(48)	(365)	(4)	(417)	(35)	(36)	(11)	(82)	(3)	(1)	(4)	(13)	–	(516)
Segment profit / (loss) after taxation	261	627	(14)	874	177	91	(61)	207	20	(4)	16	71	–	1,168

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	167	110	(55)	222	20	(2)	18	66	–	1,978
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	167	119	(55)	231	20	(2)	18	70	–	2,005
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	136	94	(67)	163	17	(2)	15	73	–	1,514

5. SEGMENT REPORTING (CONTINUED)

(b) Reconciliation between segments profit after taxation and profit for the year

HK$ million	2012	2011
Segment profit after taxation	**1,168**	1,514
Net gain / (loss) on		
– remeasurement of investment properties	**43**	124
– property re-classified as asset held for sale	**78**	81
– disposal of land and buildings held for own use	**–**	(3)
– disposal of investment properties	**(2)**	5
Amortisation of fair value adjustments on property, plant and equipment and intangible assets arising from business combinations	**(53)**	(38)
Impairment losses on property, plant and equipment (Note 7(c))	**(34)**	(36)
Impairment losses on amounts due from jointly controlled entities (Note 7(c))	**(20)**	–
Impairment losses on goodwill and intangible assets (Note 7(c))	**(6)**	–
Net loss on disposal of jointly controlled entities	**(4)**	(2)
Net fair value gain / (loss) on foreign currency forward contracts (Note 6)	**57**	(54)
Share-based payments (Note 7(b))	**(18)**	–
Unallocated corporate expenses	**(199)**	(219)
Reconciliation items before taxation	**(158)**	(142)
Tax impact:		
Recognition of deferred tax liabilities of undistributed profits (Note 8(a)*(ii)*)	**(1)**	(38)
De-recognition of deferred tax assets (Note 8(a)*(iii)*)	**–**	(8)
Net tax effect on the above reconciliation items	**1**	39
Reconciliation items net of taxation	**(158)**	(149)
Profit for the year	**1,010**	1,365

(c) Other segment information

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

HK$ million	Motor and Motor Related Business				Food and Consumer Products Business				Logistics Business				
Year ended 31 December 2012	**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	**76**	**227**	**18**	**321**	**26**	**9**	**34**	**69**	**14**	**27**	**41**	**12**	**443**
Segmental interest income	**1**	**34**	**–**	**35**	**–**	**4**	**–**	**4**	**–**	**4**	**4**	**–**	**43**
Segmental interest expense	**2**	**225**	**3**	**230**	**2**	**34**	**7**	**43**	**–**	**1**	**1**	**–**	**274**

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	26	7	35	68	15	15	30	11	346
Segmental interest income	–	27	–	27	–	3	–	3	–	3	3	–	33
Segmental interest expense	1	125	2	128	1	35	7	43	–	–	–	3	174

5. SEGMENT REPORTING (CONTINUED)

(d) 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:

	Turnover from external customers		**Non-current assets**	
HK$ million	**2012**	2011	**2012**	2011
Hong Kong & Macao	**9,708**	9,130	**1,037**	1,351
Mainland China	**35,788**	34,526	**4,352**	3,946
Other Markets	**2,518**	2,453	**529**	554
Total	**48,014**	46,109	**5,918**	5,851

6. OTHER INCOME

HK$ million	**2012**	2011
Commission income, subsidy income and rebate	**414**	331
Handling and service charge income	**97**	73
Interest income from bank deposits	**21**	17
Other interest income	**12**	6
Net (loss) / gain on disposal of investment properties	**(2)**	5
Net (loss) / gain on disposal of other fixed assets	**(2)**	8
Net loss on disposal of land and buildings held for own use	**–**	(3)
Net exchange gain	**10**	33
Net fair value gain / (loss) on foreign currency forward contracts	**57**	(54)
Net loss on disposal of jointly controlled entities	**(4)**	(2)
Others	**60**	80
Total	**663**	494

7. PROFIT BEFORE TAXATION

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

(a) Finance costs

HK$ million	**2012**	2011
Interest on bank advances and other borrowings wholly repayable within five years	**326**	194

(b) Staff costs

HK$ million	**2012**	2011
Salaries, wages and other benefits	**2,304**	2,087
Contributions to defined contribution retirement schemes (Note)	**115**	97
Share-based payments (Note 29)	**18**	–
Total	**2,437**	2,184

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 the prevailing maximum relevant income level 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.

7. PROFIT BEFORE TAXATION (CONTINUED)

(c) Other items

HK$ million	**2012**	2011
Amortisation:		
– lease prepayments	**10**	8
– intangible assets	**41**	28
Depreciation	**459**	357
Net write-down of inventories	**170**	31
Impairment losses / (reversal of impairment losses) on:		
– property, plant and equipment	**34**	36
– intangible assets	**3**	–
– goodwill	**3**	–
– other receivables	**(5)**	8
– amounts due from jointly controlled entities	**20**	–
Net (gain) / loss on realised foreign currency forward contracts	**(11)**	44
Auditors' remuneration	**27**	35
Operating lease charges in respect of properties	**576**	429
Rental income from investment properties less direct outgoings of HK$17 million (2011: HK$17 million)	**(36)**	(41)

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

In December 2012, the Group disposed of an investment property situated in Hong Kong at a consideration of HK$405 million, which had been re-classified as asset held for sale at 30 June 2012 with a carrying amount of HK$324 million (Note 14(a)). After netting off the direct expenses, a net gain of HK$78 million was recognised in the consolidated income statement for the year ended 31 December 2012.

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.

8. INCOME TAX

Hong Kong Profits Tax is calculated at 16.5% (2011: 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 in the consolidated income statement represents:

HK$ million	2012	2011
Current tax – Hong Kong Profits Tax		
– Provision for the year	**84**	89
– Over-provision in previous years	**(2)**	(1)
	82	88
Current tax – Outside Hong Kong		
– Provision for the year	**433**	433
– Under-provision in previous years	**8**	3
	441	436
Deferred tax		
– Origination and reversal of temporary differences	**(22)**	(79)
– Recognition of deferred tax liabilities of undistributed profits (Note *(ii)*)	**1**	38
– De-recognition of deferred tax assets (Note *(iii)*)	**–**	8
– Effect of change in tax rate (Note *(iv)*)	**–**	(11)
	(21)	(44)
Withholding tax	**14**	18
Total	**516**	498

Notes:

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

(ii) In 2011, the directors had determined that the undistributed profits of the subsidiaries in Japan would be repatriated to Hong Kong in the foreseeable future. Accordingly, deferred tax liabilities of HK$37 million had been recognised in respect of the tax payable upon the eventual distribution of the undistributed profits.

(iii) Deferred tax assets of HK$8 million were derecognised during the year ended 31 December 2011 as 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 based on the latest available information.

(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% in the fiscal year 2011/12 to 38.01% for the fiscal years 2012/13 to 2014/15, and further reduced to 35.64% starting from the fiscal year 2015/16.

8. INCOME TAX (CONTINUED)

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

HK$ million	2012	2011
Profit before taxation	**1,526**	1,863
Tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**322**	390
Effect of change in tax rate	**–**	(11)
Tax effect of non-deductible expenses	**116**	61
Tax effect of non-taxable income	**(58)**	(70)
Tax effect of utilisation of previously unrecognised tax losses	**(6)**	(8)
Tax effect of unused tax losses not recognised	**121**	68
Tax effect of unrecognised temporary differences	**–**	2
Recognition of deferred tax liabilities of undistributed profits	**1**	38
Withholding tax	**14**	18
De-recognition of deferred tax assets in respect of previous years' tax losses	**–**	8
Under-provision in previous years	**6**	2
Income tax charge	**516**	498

9. DIRECTORS' REMUNERATION

Directors' remuneration for the year ended 31 December 2012 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 (i))	Total
Executive directors							
Yip Moon Tong	–	3,127	10,000	300	13,427	1,250	14,677
Mak Kwing Tim (Note (ii))	–	1,237	1,337	89	2,663	–	2,663
Lau Sei Keung	–	2,498	4,975	240	7,713	1,007	8,720
Tsoi Tai Kwan, Arthur	–	2,287	2,878	216	5,381	764	6,145
Glenn Robert Sturrock Smith	–	3,101	2,166	108	5,375	764	6,139
Wai King Fai, Francis	–	2,030	2,580	14	4,624	625	5,249
Non-executive directors							
Hui Ying Bun (Note (iii))	500	75	–	–	575	–	575
Kwok Man Leung	–	–	–	–	–	–	–
Yin Ke (Note (iv))	180	–	–	–	180	–	180
Fei Yiping	–	–	–	–	–	–	–
Independent non-executive directors							
Cheung Kin Piu, Valiant	372	–	–	–	372	–	372
Hsu Hsung, Adolf	372	–	–	–	372	–	372
Yeung Yue Man	372	–	–	–	372	–	372
Chan Kay Cheung (Note (v))	–	–	–	–	–	–	–
Total	1,796	14,355	23,936	967	41,054	4,410	45,464

Notes:

(i) Details of the share option schemes are set out in note 29.

(ii) Mr. Mak Kwing Tim retired as executive director of the Company with effect from 15 May 2012 and his emoluments for the year ended 31 December 2012 was HK$8.3 million.

(iii) Mr. Hui Ying Bun was re-designated as non-executive director of the Company with effect from 1 January 2012.

(iv) Mr. Yin Ke resigned as non-executive director of the Company with effect from 31 December 2012.

(v) Mr. Chan Kay Cheung was appointed as independent non-executive director of the Company with effect from 31 December 2012.

9. DIRECTORS' REMUNERATION (CONTINUED)

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

10. FIVE HIGHEST PAID INDIVIDUALS AND EMOLUMENTS OF SENIOR MANAGEMENT

(a) Five highest paid individuals

The five highest paid individuals of the Group for the years ended 31 December 2011 and 2012 are also the directors of the Company, whose emoluments are disclosed in note 9.

(b) Emoluments of senior management

Other than the emoluments of directors and five highest paid individuals disclosed in notes 9 and 10(a), the emoluments of the senior management whose profiles are included in the section "Directors and Senior Management" fell within the following bands:

Emolument band (HK$)	**2012 Number of individuals**	2011 Number of individuals
4,000,001 – 5,000,000	**1**	–
3,000,001 – 4,000,000	**1**	1
2,000,001 – 3,000,000	**6**	8
1,000,001 – 2,000,000	**–**	1
Total	**8**	10

11. PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The Company's profit for the year is HK$913 million (2011: HK$430 million). After excluding the dividend income from subsidiaries of HK$882 million (2011: HK$406 million) which is attributable to profits in previous years, the write back of impairment losses on amounts due from subsidiaries of HK$59 million (2011: HK$29 million), and other intercompany income of HK$64 million (2011: HK$49 million), the consolidated profit attributable to shareholders of the Company that has been dealt with in the financial statements of the Company is a loss of HK$92 million (2011: loss of HK$54 million).

12. DIVIDENDS

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

HK$ million	**2012**	2011
Interim dividend declared and paid of 11.78 HK cents (2011: 14.30 HK cents) per share	**215**	260
Final dividend proposed after the balance sheet date of 8.88 HK cents (2011: 12.74 HK cents) per share	**162**	232
Total	**377**	492

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	**2012**	2011
Final dividend approved and paid of 12.74 HK cents (2011: 12.77 HK cents) per share	**232**	232

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$1,045 million (2011: HK$1,323 million) and the weighted average number of 1,825,641,060 ordinary shares (2011: 1,819,064,603 ordinary shares) in issue during the year which is calculated as follows:

	Number of ordinary shares	
	2012	2011
Issued ordinary shares at 1 January	**1,821,148,000**	1,814,508,000
Effect of share options exercised	**4,493,060**	4,556,603
Weighted average number of ordinary shares	**1,825,641,060**	1,819,064,603

(b) Diluted earnings per share

The diluted earnings per share is based on the profit attributable to shareholders of the Company of HK$1,045 million (2011: HK$1,323 million) and the weighted average number of 1,831,389,390 ordinary shares (diluted) (2011: 1,827,301,514 ordinary shares (diluted)) which is calculated as follows:

	Number of ordinary shares	
	2012	2011
Weighted average number of ordinary shares (Note 13(a))	**1,825,641,060**	1,819,064,603
Effect of deemed issue of shares under the Company's share option schemes	**5,748,330**	8,236,911
Weighted average number of ordinary shares (diluted)	**1,831,389,390**	1,827,301,514

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 2012	**2,183**	**108**	**2,678**	**4,969**	**875**	**5,844**
Exchange adjustments	**13**	**1**	**18**	**32**	**(40)**	**(8)**
Additions	**46**	**224**	**666**	**936**	**–**	**936**
Acquisition of a subsidiary (Note 31)	**–**	**–**	**12**	**12**	**–**	**12**
Transfer to asset held for sale (Note 7(d))	**–**	**–**	**–**	**–**	**(324)**	**(324)**
Transfer to inventories (Note 14(c))	**–**	**–**	**(33)**	**(33)**	**–**	**(33)**
Reclassification (Note 14(d))	**34**	**(61)**	**11**	**(16)**	**16**	**–**
Disposals	**–**	**–**	**(253)**	**(253)**	**(5)**	**(258)**
Net gain on remeasurement of investment properties	**–**	**–**	**–**	**–**	**43**	**43**
At 31 December 2012	**2,276**	**272**	**3,099**	**5,647**	**565**	**6,212**
Representing:						
Cost	**2,276**	**272**	**3,099**	**5,647**	**–**	**5,647**
Valuation	**–**	**–**	**–**	**–**	**565**	**565**
At 31 December 2012	**2,276**	**272**	**3,099**	**5,647**	**565**	**6,212**
Accumulated depreciation and impairment:						
At 1 January 2012	**505**	**–**	**1,394**	**1,899**	**–**	**1,899**
Exchange adjustments	**4**	**–**	**8**	**12**	**–**	**12**
Acquisition of a subsidiary (Note 31)	**–**	**–**	**7**	**7**	**–**	**7**
Charge for the year	**85**	**–**	**374**	**459**	**–**	**459**
Impairment loss (Note 14(j))	**–**	**–**	**34**	**34**	**–**	**34**
Transfer to inventories (Note 14(c))	**–**	**–**	**(25)**	**(25)**	**–**	**(25)**
Written back on disposals	**–**	**–**	**(97)**	**(97)**	**–**	**(97)**
At 31 December 2012	**594**	**–**	**1,695**	**2,289**	**–**	**2,289**
Net book value:						
At 31 December 2012	**1,682**	**272**	**1,404**	**3,358**	**565**	**3,923**

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 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	58	11	204	273	–	273
Transfer from asset held for sale	–	–	–	–	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 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	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

14. FIXED ASSETS (CONTINUED)

(b) Company

HK$ million	Investment properties 2012	2011
At valuation:		
At 1 January	**159**	128
Net gain on remeasurement	**37**	31
At 31 December	**196**	159

(c) During the year ended 31 December 2012, certain motor vehicles with carrying amount of HK$8 million (2011: HK$5 million) were transferred to inventories when they ceased to be rented.

(d) During the year ended 31 December 2012, certain properties with carrying amounts of HK$16 million were transferred from land and buildings held for own use to investment properties as the properties were leased out.

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$133 million at 31 December 2012 (2011: HK$137 million).

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

(g) Property valuations

All investment properties of the Group and the Company were revalued at 31 December 2012 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

14. FIXED ASSETS (CONTINUED)

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

	Group		Company	
HK$ million	**2012**	2011	**2012**	2011
Investment properties				
In Hong Kong:				
– Long term lease	**145**	413	**–**	–
– Medium term lease	**–**	–	**196**	159
Outside Hong Kong:				
– Freehold properties	**355**	415	**–**	–
– Medium term lease	**65**	47	**–**	–
At 31 December	**565**	875	**196**	159

	Group	
HK$ million	**2012**	2011
Land and buildings held for own use		
In Hong Kong:		
– Long term lease	**18**	19
– Medium term lease	**246**	252
– Short term lease	**2**	5
Outside Hong Kong:		
– Freehold properties	**52**	56
– Medium term lease	**1,257**	1,234
– Short term lease	**107**	112
At 31 December	**1,682**	1,678

(i) Certain buildings situated in mainland China with an aggregate net book value of HK$509 million at 31 December 2012 (2011: HK$529 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 2012, the recoverable amount of fixed assets had been assessed. Based on the assessment, the carrying amounts of certain fixed assets were written down by HK$34 million (2011: HK$36 million) by reference to their value in use.

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	**2012**	2011
Within 1 year	**92**	95
After 1 year but within 5 years	**76**	94
After 5 years	**42**	49
At 31 December	**210**	238

15. LEASE PREPAYMENTS

	Group	
HK$ million	**2012**	2011
Cost:		
At 1 January	**425**	334
Exchange adjustments	**4**	14
Additions	**116**	74
Acquisition of subsidiaries	**–**	6
Disposals	**–**	(3)
At 31 December	**545**	425
Accumulated amortisation and impairment:		
At 1 January	**43**	35
Exchange adjustments	**1**	1
Charge for the year	**10**	8
Written back on disposals	**–**	(1)
At 31 December	**54**	43
Net book value:		
At 31 December	**491**	382

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

	Group	
HK$ million	**2012**	2011
Outside Hong Kong – medium term lease	**491**	382

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

16. INTANGIBLE ASSETS

Group

HK$ million	Car dealerships	Others	Total
Cost:			
At 1 January 2012	**729**	**64**	**793**
Exchange adjustments	**5**	**–**	**5**
At 31 December 2012	**734**	**64**	**798**
Accumulated amortisation and impairment:			
At 1 January 2012	**69**	**14**	**83**
Exchange adjustments	**1**	**–**	**1**
Charge for the year	**36**	**5**	**41**
Impairment loss	**3**	**–**	**3**
At 31 December 2012	**109**	**19**	**128**
Net book value:			
At 31 December 2012	**625**	**45**	**670**

HK$ million	Car dealerships	Others	Total
Cost:			
At 1 January 2011	293	29	322
Exchange adjustments	20	1	21
Acquisition of subsidiaries	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

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

17. GOODWILL

HK$ million	Group 2012	Group 2011
Cost:		
At 1 January	**376**	289
Exchange adjustments	**–**	3
Acquisition of subsidiaries	**–**	84
At 31 December	**376**	376
Accumulated impairment:		
At 1 January	**29**	29
Impairment loss	**3**	–
At 31 December	**32**	29
Carrying amount:		
At 31 December	**344**	347

Impairment tests for goodwill

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

HK$ million		2012	2011
Motor and Motor Related Business	– Mainland China	**150**	153
Food and Consumer Products Business	– Hong Kong & Macao	**192**	192
	– Mainland China	**2**	2
		344	347

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 16% to 17% (2011: 17% to 20%).

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.

18. INTEREST IN SUBSIDIARIES

	Company	
HK$ million	**2012**	2011
Unlisted investments, at cost	**19**	19
Amounts due from subsidiaries	**5,114**	3,213
At 31 December	**5,133**	3,232

The amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed repayment term, except for an amount of HK$4,716 million (2011: HK$2,245 million) which is interest bearing at 1 week HIBOR per annum and an amount of HK$84 million (2011: HK$84 million) which is recoverable after one year upon request.

Details of the Company's principal subsidiaries are set out in note 38.

19. INTEREST IN ASSOCIATES

	Group	
HK$ million	**2012**	2011
Share of net assets at 31 December	**236**	228

(a) Summary of financial information on associates

HK$ million	**2012**	2011
Assets	**1,319**	1,202
Liabilities	**(191)**	(223)
Turnover	**1,011**	1,017
Profit after taxation	**21**	24

19. INTEREST IN ASSOCIATES (CONTINUED)

(b) 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 establishment / incorporation / operation	Paid-up capital / issued share capital	Effective percentage of equity interest held	Principal activities
Lubritech International Holdings Limited ("Lubritech") (Note *(ii)*)	Hong Kong	HK$168,000,000	40.00	Investment holding
Otsuka Sims (Guangdong) Beverage Co., Ltd.	PRC	US$23,200,000	40.00	Production of beverage
上海雙滙大昌有限公司 (Shanghai Shineway DCH Co., Ltd.) (Note *(iii)*)	PRC	RMB194,750,000	26.04	Production and sales of meat and related food products

Notes:

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

(ii) Lubritech and its subsidiary are engaged in the business of blending and distribution of lubrication oil in mainland China.

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

20. INTEREST IN JOINTLY CONTROLLED ENTITIES

	Group	
HK$ million	**2012**	2011
Share of net assets	**184**	194
Goodwill	**1**	1
Amounts due from jointly controlled entities	**69**	44
At 31 December	**254**	239

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

HK$ million	**2012**	2011
Non-current assets	**194**	181
Current assets	**424**	213
Current liabilities	**(387)**	(178)
Non-current liabilities	**(47)**	(22)
Net assets	**184**	194
Income	**1,486**	487
Expenses	**(1,469)**	(457)
Profit before taxation	**17**	30
Income tax	**(5)**	(7)
Profit after taxation	**12**	23

During the year, Rising Star Food Company Limited, a jointly controlled entity was incorporated in Hong Kong. Turnover of HK$2,263 million was generated from the new business and of which, HK$1,132 million was attributable to the Group's effective interest.

20. INTEREST IN JOINTLY CONTROLLED ENTITIES (CONTINUED)

(b) 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 / incorporation / operation	Paid-up capital / issued share capital	Effective percentage of equity interest held	Principal activities
COSCO – DCH (Beijing) Motor Services Co., Ltd.	PRC	RMB120,000,000	50.00	Motor vehicle leasing
DAS Nordisk Phoenix Aviation Equipment Limited	PRC	RMB4,000,000	24.50	Manufacture and distribution of air cargo equipment and related spare parts
Rising Star Food Company Limited	Hong Kong	HK$10,000,000	50.00	Trading and distribution of frozen meat
上海東實航空地面設備有限公司 (DAS Nordisk Eastern Aviation Equipment Ltd.) (Note *(ii)*)	PRC	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)*)	PRC	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)*)	PRC	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.

21. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
HK$ million	**2012**	2011
Unlisted investments at 31 December	**8**	8

22. INVENTORIES

(a) Inventories in the consolidated balance sheet represent:

	Group	
HK$ million	**2012**	2011
Finished goods	**5,488**	5,995
Raw materials	**39**	40
Work-in-progress	**9**	21
At 31 December	**5,536**	6,056

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

	Group	
HK$ million	**2012**	2011
Carrying amount of inventories sold	**39,999**	38,849
Write-down of inventories	**194**	55
Reversal of write-down of inventories	**(24)**	(24)
Total	**40,169**	38,880

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. TRADE AND OTHER RECEIVABLES

		Group		Company	
HK$ million	Note	**2012**	2011	**2012**	2011
Trade debtors and bills receivable		**2,528**	2,855	**–**	–
Less: provision for impairment of trade debtors	23(b)	**(63)**	(65)	**–**	–
		2,465	2,790	**–**	–
Other receivables, deposits and prepayments		**2,676**	2,822	**1**	1
Amounts due from subsidiaries	23(e)	**–**	–	**1,425**	1,862
Amounts due from fellow subsidiaries	23(d)	**2**	4	**–**	–
Amounts due from associates	23(d)	**–**	7	**–**	–
Amounts due from jointly controlled entities	23(d)	**311**	167	**–**	–
Amounts due from holders of non-controlling interests	23(d)	**6**	6	**–**	–
Loan to a holder of non-controlling interests	23(f)	**–**	111	**–**	–
Derivative financial instruments		**4**	2	**–**	–
At 31 December		**5,464**	5,909	**1,426**	1,863

The amount of the Group's trade and other receivables expected to be recovered after more than one year was HK$118 million at 31 December 2012 (2011: HK$81 million). The remaining balances of trade and other receivables are expected to be recovered within one year.

(a) Ageing analysis

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

	Group	
HK$ million	**2012**	2011
Within 3 months	**2,331**	2,697
More than 3 months but within 1 year	**123**	87
Over 1 year	**11**	6
At 31 December	**2,465**	2,790

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

23. TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Impairment of trade debtors

The movement in the provision for impairment of trade debtors during the year is as follows:

	Group	
HK$ million	**2012**	2011
At 1 January	**65**	64
Exchange adjustments	**(1)**	2
Uncollectible amounts written off	**(1)**	(1)
At 31 December	**63**	65

At 31 December 2012, there were certain trade debtors at a carrying amount of HK$63 million (2011: HK$65 million) which were in financial difficulties and individually determined to be impaired. Consequently, provision for such amount was recognised at the balance sheet date.

(c) Trade debtors that are not impaired

Trade debtors 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 were balances with a carrying amount of HK$151 million at 31 December 2012 (2011: HK$144 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 at the balance sheet date is as follows:

	Group	
HK$ million	**2012**	2011
Overdue for 1 to 3 months	**85**	104
Overdue for more than 3 months but within 1 year	**59**	36
Overdue over 1 year	**7**	4
At 31 December	**151**	144

23. TRADE AND OTHER RECEIVABLES (CONTINUED)

(d) During the year ended 31 December 2012, the recoverability of the amounts due from jointly controlled entities had been assessed. Based on the assessment, provision for impairment losses of HK$20 million (2011: nil) was recognised during the year.

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, except for the amounts due from jointly controlled entities of HK$178 million (2011: nil) which are interest bearing at 3% – 5% per annum.

(e) The amounts due from subsidiaries of the Company are unsecured, non-interest bearing and recoverable on demand, except for an amount of HK$1,130 million (2011: HK$1,493 million) which is interest bearing at 1 week HIBOR per annum as at 31 December 2011 and 2012.

(f) At 31 December 2011, the Group had a loan to a shareholder of 深圳市深業實業有限公司 (Shenzhen Shenye Shiye Limited) ("Shenye"), a non-wholly owned subsidiary of the Group, of HK$111 million, which was secured by equity interest in Shenye, interest bearing at 6.06% per annum and recoverable within one year. The loan had been settled during the year ended 31 December 2012.

24. CASH AND CASH EQUIVALENTS

The analysis of cash and cash equivalents is as follows:

		Group		Company	
HK$ million	Note	**2012**	2011	**2012**	2011
Cash and bank deposits		**3,225**	2,854	**144**	68
Less:					
Bank deposits with maturity over three months from date of deposit		**–**	(12)	**–**	–
Pledged deposits	25(d)	**(259)**	(456)	**–**	–
Bank overdrafts	25(b)	**(15)**	(11)	**–**	–
At 31 December		**2,951**	2,375	**144**	68

Included in cash and cash equivalents of the Group, HK$2,366 million (2011: HK$1,860 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.

25. BORROWINGS

HK$ million	Note	Group 2012	Group 2011	Company 2012	Company 2011
Bank loans and overdrafts	25(a) and (b)	**6,272**	5,595	**3,408**	2,360
Other loans	25(c)	**137**	189	**–**	–
At 31 December		**6,409**	5,784	**3,408**	2,360

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

HK$ million	Group 2012	Group 2011	Company 2012	Company 2011
Within 1 year or on demand	**3,334**	3,575	**475**	340
After 1 year but within 2 years	**1,734**	525	**1,734**	525
After 2 years but within 5 years	**1,204**	1,495	**1,199**	1,495
	2,938	2,020	**2,933**	2,020
At 31 December	**6,272**	5,595	**3,408**	2,360

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

HK$ million	Note	Group 2012	Group 2011	Company 2012	Company 2011
Bank overdrafts					
– unsecured	24	**15**	11	**–**	–
Bank loans					
– secured		**441**	757	**–**	–
– unsecured		**5,816**	4,827	**3,408**	2,360
		6,257	5,584	**3,408**	2,360
At 31 December		**6,272**	5,595	**3,408**	2,360

(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.

25. BORROWINGS (CONTINUED)

(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	2012	2011
Bank deposits	24	**259**	456
Trade and other receivables		**65**	397
Inventories		**529**	715
Property, plant and equipment		**27**	41
At 31 December		**880**	1,609

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 2011 and 2012, none of the covenants relating to drawn down facilities had been breached (Note 28(k)).

26. TRADE AND OTHER PAYABLES

		Group		Company	
HK$ million	Note	2012	2011	2012	2011
Trade creditors and bills payable	26(a)	**1,648**	2,691	**–**	–
Other payables and accrued charges		**2,603**	3,019	**15**	14
Amounts due to subsidiaries	26(b)	**–**	–	**148**	149
Amounts due to associates	26(c)	**13**	25	**–**	–
Amounts due to jointly controlled entities	26(c)	**9**	10	**–**	–
Amounts due to holders of non-controlling interests	26(c)	**229**	240	**–**	–
Provision for product rectification	26(d)	**43**	41	**–**	–
Derivative financial instruments		**11**	66	**3**	3
At 31 December		**4,556**	6,092	**166**	166

Apart from certain trade and other payables of the Group at 31 December 2012 of HK$60 million (2011: HK$30 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.

26. TRADE AND OTHER PAYABLES (CONTINUED)

(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	**2012**	2011
Current or within 1 month	**1,578**	2,608
More than 1 month but within 3 months	**43**	56
More than 3 months but within 6 months	**18**	14
Over 6 months	**9**	13
At 31 December	**1,648**	2,691

(b) The amounts due to subsidiaries of the Company are unsecured, non-interest bearing and repayable on demand, except for an amount of HK$43 million (2011: HK$38 million) which is interest bearing at 1 month HIBOR per annum as at 31 December 2011 and 2012.

(c) 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.

(d) **Provision for product rectification**

The movement of provision for product rectification is as follows:

	Group	
HK$ million	**2012**	2011
At 1 January	**41**	56
Exchange adjustments	**1**	–
Additional provisions made	**34**	35
Reversal of provisions	**(7)**	(19)
Provisions utilised	**(26)**	(31)
At 31 December	**43**	41

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.

27. 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 2011	66	31	84	(47)	(20)	19	133
Exchange adjustments	2	2	3	(2)	–	–	5
Acquisition of subsidiaries	–	73	–	–	–	–	73
(Credited) / charged 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
At 1 January 2012	**67**	**103**	**61**	**(111)**	**(10)**	**57**	**167**
Exchange adjustments	**(4)**	**–**	**(4)**	**–**	**–**	**–**	**(8)**
(Credited) / charged to the consolidated income statement (Note 8(a))	**(1)**	**(5)**	**(7)**	**2**	**(1)**	**(9)**	**(21)**
At 31 December 2012	**62**	**98**	**50**	**(109)**	**(11)**	**48**	**138**

Represented by:

HK$ million	2012	2011
Deferred tax assets	**(108)**	(103)
Deferred tax liabilities	**246**	270
	138	167

27. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

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

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**
At 1 January 2011	–
Charged to income statement	1
At 31 December 2011	1
At 1 January and 31 December 2012	**1**

(b) Deferred tax assets not recognised

At 31 December 2012, the Group had not recognised deferred tax assets in respect of the cumulative tax losses of HK$1,353 million (2011: HK$949 million) as utilisation of these tax losses may not be probable. Tax losses in certain tax jurisdictions of HK$905 million (2011: HK$513 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 2012, there were temporary differences of HK$3,248 million (2011: HK$2,422 million) related to the undistributed profits of subsidiaries. Deferred tax liabilities of HK$163 million (2011: HK$128 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.

28. CAPITAL AND RESERVES

(a) Share capital

	2012		2011	
	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	**1,821**	**273**	1,815	272
Shares issued under share option schemes	**9**	**1**	6	1
At 31 December	**1,830**	**274**	1,821	273

28. CAPITAL AND RESERVES (CONTINUED)

(b) Share premium

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

(c) General reserve

(i) Pursuant to articles of association of certain subsidiaries of the Group incorporated in mainland China, Macao and Japan, these subsidiaries are required to transfer 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 equity 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 Limited ("CITIC Pacific"), an intermediate holding company of the Company, 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.

28. CAPITAL AND RESERVES (CONTINUED)

(j) Distributable reserves

Excluding the undistributable reserve of HK$112 million (2011: HK$75 million) which represents the cumulative gain on remeasurement of investment properties included in the Company's retained profits, the distributable reserves of the Company at 31 December 2012 were HK$1,720 million (2011: HK$1,291 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 2012, the capital management strategy of the Group, which was consistent with 2011, was to maintain the net gearing ratio below 40%.

The net gearing ratios at 31 December 2011 and 2012 are as follows:

		Group	
HK$ million	Note	**2012**	2011
Total borrowings	25	**6,409**	5,784
Less: cash and bank deposits	24	**(3,225)**	(2,854)
Net debt		**3,184**	2,930
Shareholders' funds		**8,511**	7,909
Total capital		**11,695**	10,839
Net gearing ratio		**27.2%**	27.0%

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 and 2012, the Group had complied with all of the above financial covenants.

29. EQUITY COMPENSATION BENEFITS

(a) CITIC Pacific Share Incentive Plan

CITIC Pacific adopted the CITIC Pacific Share Incentive 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 option was granted under the above plan during the years ended 31 December 2011 and 2012.

(b) 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 exercisable in whole or in part within 5 years from the date of grant.

Date of grant	Note	**Number of share options granted**	**Exercise price per share** HK$	**Number of share options outstanding at 31 December** **2012**	2011
Pre-IPO Scheme					
– 3 October 2007	*(i)*	18,000,000	5.880	**–**	3,455,000
Post-IPO Scheme					
– 7 July 2010	*(ii)*	23,400,000	4.766	**8,290,000**	13,430,000
– 8 June 2012	*(iii)*	24,450,000	7.400	**24,250,000**	–

Notes:

(i) Share options were fully vested on the date of grant and had been exercised at the close of business on 2 October 2012.

(ii) Share options were fully vested on the date of grant.

(iii) Out of the 24,450,000 share options granted, 24,250,000 options were accepted and 200,000 were not as at the latest date of acceptance pursuant to the share option scheme (i.e. 5 July 2012). Share options will be vested in three batches with 25%, 25% and 50% of the share options granted, respectively, on the first, second and third anniversary of the date of grant.

29. EQUITY COMPENSATION BENEFITS (CONTINUED)

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

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

	2012		2011	
	Weighted average exercise price per share HK$	**Number of share options ('000)**	Weighted average exercise price per share HK$	Number of share options ('000)
Outstanding at 1 January	**4.994**	**16,885**	5.118	23,525
Granted during the year	**7.400**	**24,250**	–	–
Exercised during the year	**5.214**	**(8,595)**	5.432	(6,640)
Outstanding at 31 December	**6.729**	**32,540**	4.994	16,885
Exercisable at 31 December	**4.998**	**9,090**	4.994	16,885

The weighted average share price at the date of exercise of the share options during the year was HK$8.349 (2011: HK$8.848).

The exercisable share options outstanding at 31 December 2012 are with a weighted average remaining life of 2.7 years (2011: 3.0 years).

(2) Fair value of share options and assumptions

The weighted average fair value of the share options granted under the Post-IPO Scheme measured at the date of grant of 8 June 2012 was HK$2.30 per share based on the following assumptions using the Binomial Lattice Model:

– Share price at the grant date	HK$7.40
– Exercise price	HK$7.40
– Expected volatility of the Company's share price	50% per annum
– Share option life	5 years
– Expected dividend yield	4% per annum
– Average risk-free interest rate (based on Hong Kong Exchange Fund Notes)	0.36% per annum

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.

30. ACQUISITION OF NON-CONTROLLING INTERESTS

In December 2012, the Group extended its equity interest in Shenye and its subsidiaries ("Shenye Group") through acquisition of non-controlling interests in Shenye Group at a consideration of HK$175 million. As a result, Shenye Group became wholly owned subsidiaries of the Group and resulted in a release of non-controlling interests of HK$129 million at the date of acquisition.

31. ACQUISITION OF A SUBSIDIARY

In December 2012, the Group extended its equity interest in Prosperity Motors Limited ("Prosperity Motors") from 50% to 51% at a consideration of HK$0.4 million. As a result, Prosperity Motors became a subsidiary of the Group. Prosperity Motors is engaged in sales of motor vehicles and spare parts in Macao. This acquisition did not have significant financial impact to the Group.

32. 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 locations. 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 34, the Group or the Company does not provide any other guarantee which would expose the Group or the Company to credit risk.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(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.

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

	2012				2011			
HK$ million	**Total**	**Within 1 year or on demand**	**More than 1 year but within 2 years**	**More than 2 years but within 5 years**	Total	Within 1 year or on demand	More than 1 year but within 2 years	More than 2 years but within 5 years
Borrowings	**(6,780)**	**(3,744)**	**(1,801)**	**(1,235)**	(6,150)	(4,068)	(565)	(1,517)
Trade and other payables	**(4,556)**	**(4,556)**	**–**	**–**	(6,092)	(6,092)	–	–
	(11,336)	**(8,300)**	**(1,801)**	**(1,235)**	(12,242)	(10,160)	(565)	(1,517)
Derivatives settled gross:								
Foreign currency forward contracts								
– outflow	**(304)**	**(304)**	**–**	**–**	(2,882)	(2,882)	–	–
– inflow	**298**	**298**	**–**	**–**	2,812	2,812	–	–
Cross currency swap (Note)								
– outflow	**(262)**	**(6)**	**(6)**	**(250)**	–	–	–	–
– inflow	**278**	**13**	**13**	**252**	–	–	–	–
	10	**1**	**7**	**2**	(70)	(70)	–	–
Financial guarantees issued:								
Maximum amount guaranteed (Note 34)	**(222)**	**(222)**	**–**	**–**	–	–	–	–

(b) Liquidity risk (continued)

Company

HK$ million	2012 Total	2012 Within 1 year or on demand	2012 More than 1 year but within 2 years	2012 More than 2 years but within 5 years	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
Borrowings	**(3,589)**	**(559)**	**(1,801)**	**(1,229)**	(2,471)	(389)	(565)	(1,517)
Trade and other payables	**(166)**	**(166)**	**–**	**–**	(166)	(166)	–	–
	(3,755)	**(725)**	**(1,801)**	**(1,229)**	(2,637)	(555)	(565)	(1,517)
Derivatives settled gross:								
Cross currency swap (Note)								
– outflow	**(262)**	**(6)**	**(6)**	**(250)**	–	–	–	–
– inflow	**278**	**13**	**13**	**252**	–	–	–	–
	16	**7**	**7**	**2**	–	–	–	–
Financial guarantees issued:								
Maximum amount guaranteed (Note 34)	**(3,233)**	**(3,158)**	**(2)**	**(73)**	(3,240)	(3,226)	(12)	(2)

Note: During the year ended 31 December 2012, the Group and the Company entered into a cross currency (AUD / USD) swap agreement to manage the interest rate and foreign currency exposures of an unsecured bank borrowing which was denominated in Australian Dollars amounted to AUD30 million (equivalent to HK$242 million). The cross currency swap will mature in 2015 matching with the maturity and the currency of the underlying bank borrowing.

(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, cross currency swap, 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 2012, the Group and the Company had outstanding interest rate swaps with a notional contract amount of HK$1,144 million (2011: HK$625 million) to reduce the impact of interest rate fluctuation on the unsecured bank borrowings. The swaps will mature within 2013 to 2015 and have effective interest rates ranging from 2.18% to 3.62% per annum (2011: 2.05% to 3.88% per annum).

At 31 December 2012, the Group recognised the fair value of outstanding interest rate swaps of HK$3 million liabilities (2011: HK$3 million liabilities) as derivative financial instruments.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(c) Interest rate risk (continued)

Sensitivity analysis

At 31 December 2012, 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$34 million (2011: HK$26 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 2011.

(d) Currency risk

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 2012, the Group had foreign currency forward contracts hedging forecast transactions with a fair value of HK$4 million liabilities (2011: HK$61 million liabilities) recognised as derivative financial instruments.

For bank borrowings, functional currency of each operating entity is generally matched with its liabilities, and cross currency swap (Note 32(b)) is being entered into by the Group to keep the foreign currency exposure to an acceptance level. Given these, management does not expect any significant foreign currency risk associated with the Group's borrowings.

(d) Currency risk (continued)

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

Group

	2012					
in million	**United States dollars**	**Renminbi**	**Euros**	**Japanese Yen**	**Pound Sterling**	**Hong Kong dollars**
Trade and other receivables	**6**	**22**	**–**	**275**	**2**	**–**
Cash and bank deposits	**9**	**2**	**1**	**232**	**–**	**31**
Borrowings	**(71)**	**–**	**–**	**–**	**–**	**–**
Trade and other payables	**(19)**	**(14)**	**(2)**	**(553)**	**–**	**–**
Net exposure arising from recognised assets and liabilities	**(75)**	**10**	**(1)**	**(46)**	**2**	**31**
Highly probable forecast purchases	**(7)**	**–**	**(7)**	**(2,812)**	**(2)**	**–**
Notional amounts of foreign currency forward contracts	**5**	**–**	**2**	**1,657**	**1**	**–**
Net exposure arising from forecast transactions	**(2)**	**–**	**(5)**	**(1,155)**	**(1)**	**–**
Overall net exposure	**(77)**	**10**	**(6)**	**(1,201)**	**1**	**31**

	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

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(d) Currency risk (continued)

Sensitivity analysis

The following table indicates the change in the Group's profit after taxation and retained profits 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	**2012** **Positive / (negative) effect on profit after taxation and retained profits**	2011 Positive / (negative) effect on profit after taxation and retained profits
Renminbi	**1**	3
Euros	**(3)**	(1)
Japanese Yen	**(5)**	(17)
Pound Sterling	**1**	(77)

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 2011.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(e) Fair value

(i) Fair value estimation

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

All financial instruments are carried at amounts not materially different from their fair values at 31 December 2011 and 2012 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 and cross currency swap 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.

(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 2012, the outstanding foreign currency forward contracts, interest rate swaps and cross currency swap of the Group fall into Level 2 of the fair value hierarchy described above.

33. 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	**2012**	2011
Contracted for		
– Capital expenditures	**114**	87
– Others	**41**	30
At 31 December	**155**	117
Authorised but not contracted for		
– Capital expenditures	**327**	256
– Others	**267**	190
At 31 December	**594**	446

(b) Operating lease commitments

The Group is the lessee in respect of various properties, plant and equipment held under operating leases. At 31 December 2012, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Group	
HK$ million	**2012**	2011
Within 1 year	**528**	324
After 1 year but within 5 years	**1,046**	539
After 5 years	**1,222**	810
At 31 December	**2,796**	1,673

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

34. CONTINGENT LIABILITIES

At 31 December 2012, the Group and the Company had issued the following guarantees to banks in respect of banking facilities granted to and utilised by the following parties:

(a) Group

	2012		2011	
HK$ million	**Granted**	**Utilised**	Granted	Utilised
A jointly controlled entity	**250**	**222**	–	–

(b) Company

	2012		2011	
HK$ million	**Granted**	**Utilised**	Granted	Utilised
Subsidiaries	**10,034**	**3,011**	6,805	3,240
A jointly controlled entity indirectly held by the Company	**250**	**222**	–	–
At 31 December	**10,284**	**3,233**	6,805	3,240

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.

35. 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	**2012**	2011
Sales to jointly controlled entities	**203**	175
Purchases from a jointly controlled entity	**94**	–
Purchases from an associate	**190**	69
Rental expenses to fellow subsidiaries	**132**	91
Purchases from affiliates (Note *(i)*)	**45**	8
Sales to affiliates (Note *(i)*)	**25**	–

Notes:

(i) Affiliates represent non-controlling shareholders of non-wholly owned subsidiaries of the Group and the group companies of such non-controlling shareholders.

(ii) Apart from the items 1 to 3 disclosed in the Report of the Directors under the section headed "Continuing Connected Transactions" which constituted non-exempt continuing connected transactions as defined in Chapter 14A of the Listing Rules, all the material related party transactions disclosed above did not constitute non-exempt connected transactions or continuing connected transactions.

(b) Remuneration for key management personnel

Remuneration for key management personnel included the amounts paid to the Company's directors and senior management as disclosed in notes 9 and 10 respectively. Total remuneration is included in "staff costs" (Note 7(b)).

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

At 31 December 2012, the Group had bank balances with and bills payable to a fellow subsidiary of HK$2 million (2011: HK$63 million) and HK$1 million (2011: HK$87 million) respectively.

35. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Operating lease commitments with fellow subsidiaries

Included in note 33(b) above, there are total future minimum lease payments on properties under non-cancellable operating leases with fellow subsidiaries which are payable as follows:

HK$ million	Group 2012	2011
Within 1 year	**159**	36
After 1 year but within 5 years	**188**	–
At 31 December	**347**	36

(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.

36. ULTIMATE HOLDING COMPANY

At 31 December 2012, the directors considered the ultimate holding company of the Group to be CITIC Group Corporation, a wholly state-owned company established in the People's Republic of China.

37. POST BALANCE SHEET EVENT

On 22 February 2013, the Group entered into an agreement to acquire 100% equity interest in a company, which is engaged in processing and trading of food products in Hong Kong, at a consideration of HK$185 million. The acquisition is expected to be completed in the first quarter of 2013.

38. 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	
Bayern Gourmet Food Company Limited		Hong Kong	HK$3,000,000	–	100	Food processing and trading
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, 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
Dah Chong Hong, Limited		Hong Kong	HK$50,000,000	100	–	Investment holding, import, retail and export of foodstuffs, electrical appliances and other consumer products
Dah Chong Hong Motors (China) Limited		Hong Kong	HK$40,000,000	–	100	Investment holding
DCH Foods (Singapore) Pte. Ltd.		Singapore	SGD3,000,000	–	100	Food trading and distribution
DCH Logistics Company Limited		Hong Kong	HK$100,000	–	100	Warehouse and logistics service

38. 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	Indirectly	Principal activities
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
Japan Auto Parts Company Limited		Hong Kong	HK$100,000	–	100	Motor parts trading
Jiangmen Dah Chong Hong – Sims Industrial Development Limited	(i)	PRC	US$23,300,000	–	100	Construction and development of industrial factories and warehouses
Linking Wisdom Ltd.		British Virgin Islands	US$1	–	100	Property holding
Kunming Heyun Motor Trading Co., Ltd.	(i)	PRC	RMB150,000,000	–	100	Motor vehicle 4S dealership
Kunming Lianya Toyota Motor Sales And Services Co., Ltd	(i)	PRC	RMB150,000,000	–	100	Motor vehicle 4S dealership
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
Shanghai DCH Food Industries Ltd.	(i)	PRC	US$4,770,000	–	100	Food processing and trading
Sims Trading Company Limited		Hong Kong	HK$300,000	–	100	Wholesaling and distribution of fast moving consumer goods

38. 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
Taipei Premium Motors Limited		Taiwan	NTD5,000,000	–	100	Motor vehicle 4S dealership
Triangle Auto Pte Ltd		Singapore	SGD3,000,000	–	100	Motor vehicle distributor
Triangle Motors Limited		Hong Kong	HK$3,000,000	–	100	Motor vehicle distributor
Triangle Motor Sales And Services (China) Co., Ltd.	(i)	PRC	RMB150,000,000	–	100	Motor vehicle 4S dealership
Yee Lim Godown & Cold Storage Limited		Hong Kong	HK$1,000,000	–	100	Operation of dry and cold storage godown
Yunnan Zhongchi Motor Sales And Services Co., Ltd.	(i)	PRC	RMB150,000,000	–	100	Motor vehicle 4S dealership
上海賓利汽車銷售有限公司 (Bentley Shanghai Motor Sales Ltd.)	(viii)	PRC	RMB12,000,000	–	100	Motor vehicle distributor
大昌行投資管理（上海）有限公司 (Dah Chong Hong Investment Management (Shanghai) Co., Ltd)	(i), (viii)	PRC	US$25,600,000	–	100	Property holding
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)	PRC	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)	PRC	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)	PRC	RMB25,000,000	–	100	Wholesaling and distribution of fast moving consumer goods

38. 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	
廣東偉德利電器製造有限公司 (Guangdong Victory Electrical Appliances Manufacturing Co., Ltd.)	(i), (viii)	PRC	US$40,000,000	–	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)	PRC	RMB30,000,000	–	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)	PRC	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)	PRC	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)	PRC	RMB12,000,000	–	100	Investment holding
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)	PRC	US$10,600,000	–	100	Provision of food products and logistics service
江門市合禮汽車銷售服務有限公司 (Jiangmen Heli Motors Sale and Service Limited)	(iii), (viii)	PRC	RMB70,000,000	–	100	Motor vehicle 4S dealership

38. 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	
嘉興合信汽車銷售服務有限公司 (Jiaxing Hexin Motors Sale and Service Limited)	(iii), (viii)	PRC	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)	PRC	US$5,000,000	–	100	Property investment and provision of management services
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)	PRC	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)	PRC	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)	PRC	RMB24,000,000	–	71	Wholesaling and distribution of fast moving consumer goods
上海殷昌倉儲有限公司 (Shanghai Yinchang Warehousing Company Limited)	(i), (viii)	PRC	US$24,000,000	–	100	Property holding

38. 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	
上海眾鈴汽車銷售服務有限公司 (Shanghai Zhongling Motors Sale and Service Limited)	(i), (viii)	PRC	RMB150,000,000	–	100	Motor vehicle 4S dealership
上海眾泰汽車銷售有限公司 (Shanghai Zhongtai Motor Sales Limited)	(viii)	PRC	RMB12,000,000	–	100	Motor vehicle 4S dealership
上海宏圖電器有限公司 (Shanghai Vision Electrical Appliances Co., Ltd)	(iii), (viii)	PRC	RMB1,000,000	–	100	Electrical appliances trading
深圳市增特汽車貿易有限公司 (Shenzhen City Zengte Car Trading Co., Ltd)	(iii), (viii)	PRC	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)	(viii)	PRC	RMB12,000,000	–	100	Motor vehicle 4S dealership
深圳市深業實業有限公司 (Shenzhen Shenye Shiye Limited)	(viii)	PRC	RMB100,000,000	–	100	Investment holding
深圳市深業汽車貿易有限公司 (Shenzhen Shenye Motors Trading Limited)	(viii)	PRC	RMB25,000,000	–	100	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 Limited)	(viii)	PRC	RMB20,000,000	–	100	Motor vehicle 4S dealership

38. 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
雲南聯迪汽車服務有限公司 (Yunnan Liandi Motors Service Limited)	(iii), (viii)	PRC	RMB10,000,000	–	80	Motor vehicle 4S dealership
湛江市駿浩汽車有限公司 (Zhanjiang Junhao Motors Limited)	(i), (viii)	PRC	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)	PRC	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)	PRC	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)	PRC	RMB5,000,000	–	100	Motor vehicle 4S dealership

38. 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 2012

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. 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
2. 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
3. Lot No. T7-1, located in Lingang Industrial District, Jinguzhou Economic Development Experimental Zone, 2nd Storey and Factory No.1, No.10, Jiangyu Road, Jinguzhou, Huicheng, Xinhui District, Jiangmen, Guangdong Province, The People's Republic of China	2054	100	5,161	Office and factory

Address / Lot no.		Leasehold expiry	Group's interest %	Approximate gross floor area / Approximate saleable area* (sq. m.)	Existing use
4.	Haiwang Hatchery Plant at Haiwang Village, Huinan Town, Pudong New District, Shanghai, The People's Republic of China	2048	76.77	2,053	Industrial
5.	Xing Guang Farm, Xingguang Village, Zhuqiao Town, Pudong New District, Shanghai, The People's Republic of China	2048	76.77	6,041	Industrial
6.	Cangmen Jiyue Industrial Area, Cangmen Cun Wei Hui, Junan Town, Shunde District, Foshan, Guangdong Province, The People's Republic of China	2050	100	19,904	Industrial
7.	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
8.	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

Address / Lot no.	Leasehold expiry	Group's interest %	Approximate gross floor area / Approximate saleable area* (sq. m.)	Existing use
9. 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
10. 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
11. Dah Chong No.2 Building, 18-2, Roppongi, 5-chome, Minato-ku, Tokyo, Japan	Freehold	100	1,405	Commercial/ office
12. Toriizaka House, 14-19, Roppongi, 5-chome, Minato-ku, Tokyo, Japan	Freehold	100	683	Residential/ office
13. Land No.346-22, Azateradani, Hino-Cho, Nishiwaki-shi, Hyogo Prefecture, Japan	Freehold	100	6,300 (land)	Vacant site

Address / Lot no.	Leasehold expiry	Group's interest %	Approximate gross floor area / Approximate saleable area* (sq. m.)	Existing use
14. Land No.689, Azazendana, Higashiodaka, Isumi-shi, Chiba Prefecture, Japan	Freehold	100	509 (land)	Vacant site
15. Land No.692, Azazendana, Higashiodaka, Isumi-shi, Chiba Prefecture, Japan	Freehold	100	694 (land)	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

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	41,838	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, 1st and 3rd Storey, No.10, Jiangyu Road, Jinguzhou, Huicheng, Xinhui District, Jiangmen, Guangdong Province, The People's Republic of China	2054	100	1,219	Storage and office
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

Address / Lot no.	Leasehold expiry	Group's interest %	Approximate gross floor area / Approximate saleable area* (sq. m.)	Existing use
11. Lot T7-6, No.28, Yinzhou Avenue, Huicheng, Xinhui District, Jiangmen, Guangdong Province, The People's Republic of China	2054	100	8,378	Warehouse
12. Lot No. T7-2, Lingang Industrial District, Jinguzhou Economic Development Experimental Zone, No.21, Yingang Avenue, Xinhui District, Jiangmen, Guangdong Province, The People's Republic of China	2055	100	6,859	Cold storage, warehouse and food processing centre
13. Lot No.T-10-2, Lingang Industrial District, Jinguzhou Economic Development Experimental Zone, No.2 Fuhuei Road Jhih Yi, Xinhui District, Jiangmen, Guangdong Province, The People's Republic of China	2055	100	49,079	Partially developed with logistics centre
14. Lot No. T18, Lingang Industrial District, Jinguzhou Economic Development Experimental Zone, Xinhui District, Jiangmen, Guangdong Province, The People's Republic of China	2055	100	10,179	Industrial

Address / Lot no.	Leasehold expiry	Group's interest %	Approximate gross floor area / Approximate saleable area* (sq. m.)	Existing use
15. No.522 Bailong Road, Yunshan Village, Jinma Town, Guandu District, Kunming, Yunnan Province, The People's Republic of China	2045	80	6,961	4S shop
16. No.789 Anchi Road, Shanghai International Automobile City, Jiading District, Shanghai, The People's Republic of China	2043	100	3,667	Showroom and car storage
17. No.258 Nangang Gong Road, Huinan Town, Pudong New District, Shanghai, The People's Republic of China	2048	76.77	9,696	Office
18. 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 (land: 190,950)	Industrial
19. 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

Address / Lot no.	Leasehold expiry	Group's interest %	Approximate gross floor area / Approximate saleable area* (sq. m.)	Existing use
20. 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
21. (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
22. Land No.712-2, Zi Wu Road, Qu Jing City, Yunnan Province, The People's Republic of China	2047	100	3,900	4S shop
23. 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
24. 9 She, Lijiatuo, Chi Lung Chuen, Banan District, Chongqing, Sichuan Province, The People's Republic of China	2047	100	4,221 (land)	Site for 4S shop

Address / Lot no.	Leasehold expiry	Group's interest %	Approximate gross floor area / Approximate saleable area* (sq. m.)	Existing use
25. 9 and 11 She, Lijiatuo, Chi Lung Chuen, Banan District, Chongqing, Sichuan Province, The People's Republic of China	2047	100	8,346 (land)	Site for 4S shop
26. Level 6, No.1265 Chang De Road, Putuo District, Shanghai, The People's Republic of China	2046	71	832	Office
27. 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
28. 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
29. 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

Address / Lot no.		Leasehold expiry	Group's interest %	Approximate gross floor area / Approximate saleable area* (sq. m.)	Existing use
30.	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
31.	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
32.	Whole Single Storey Block, No.357 Ji Zhan Road, Shanghai, The People's Republic of China	2056	100	22,109	Warehouse
33.	Portion of Dah Chong No.2 Building, 18-2, Roppongi 5-chome, Minato-ku, Tokyo, Japan	Freehold	100	1,013	Office
34.	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	Car showroom, service bays, storage and office

Address / Lot no.	Leasehold expiry	Group's interest %	Approximate gross floor area / Approximate saleable area* (sq. m.)	Existing use
35. 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
36. 259 Pandan Loop, Singapore 128435 Lot No 4009A (JTC Pte Lot A14379) Mukim 5	2042	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

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

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

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

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

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

$$\text{Segment margin} = \frac{\text{Segment result from operations}}{\text{Segment turnover}}$$

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:	9 May 2013 to 13 May 2013
For ascertaining shareholders' entitlement to the Final Dividend:	20 May 2013 to 22 May 2013
Annual General Meeting:	13 May 2013 10:30 a.m. Harcourt & Nathan Room Lower Lobby Conrad Hong Kong Pacific Place 88 Queensway Hong Kong
Final Dividend payable:	14 June 2013

Annual Report 2012

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

Shareholders may choose to rely on the Annual Report posted on the Group's website or 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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