大昌行集團有限公司
DAH CHONG HONG HOLDINGS LIMITED
Stock Code: 01828

Vitality and Professionalism

Our China Momentum

ANNUAL REPORT **2013**

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, and Food and Consumer Products Business which is supported by our logistics services. 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 dropped by 15.5%.
- Sold around 84,600 units of vehicles in mainland China.
- The number of 4S shops increased to 75 in 2013, and currently a total of 12 4S greenfield projects are in the pipe line in mainland China.
- In the PRC, dealership same-store unit sales and same-store after-sales service revenue were up by 8.6% and 7.1% respectively.
- In Hong Kong and Macao, DCH sold around 12,900 units of vehicles. Unit sales growth outperformed the market and leaped by 18.4%.
- DCH Hong Kong market share was up 1.4-percentage-point to 20.8%.
- DCH remained as the market leader in the truck and bus market in Hong Kong, and a new commercial vehicle service centre will commence business in 2014 to capture the growing demand.
- The *Isuzu* distributorship in Taiwan performed very well. The semi-knock down assembly plant is expected to start production in 2014.
- Commercial vehicle business in Singapore recorded a significant growth in unit sales of 71.1%.

FOOD AND CONSUMER PRODUCTS BUSINESS

- A 3.0% growth in segment turnover.
- For fast moving consumer goods business in the PRC, snack and beverage products did well but some product categories were affected by the Chinese Government's anti-extravagance campaign.
- In mainland China, we have secured new international brands for infant milk formula, UHT milk and cheese in order to cater the huge potential in dairy products.
- In Hong Kong, dairy products and confectionery achieved strong growth with 32.0% and 34.0% rise in turnover respectively.
- Acquired a western delicatessen processing company in Hong Kong, bringing DCH the market leader in such field and sales of food processing business grew by 48.4%.
- The number of *DCH Food Mart* outlets increased to 91 by the end of 2013.
- Aggressively developing our house brands, *Del Leche* and *Cheer*, in mainland China and Hong Kong and such business is expected to enjoy strong growth in the coming years.
- 68 *DCH AV* Shops and *DCH Digi Shops* were established across Hong Kong and key cities in the PRC.
- Logistics business achieved a growth of 13.5% and the new repacking centre in Shanghai has commenced operation in 2013.

Financial Highlights

For the year (HK$ million)	**2013**	2012
Turnover	**42,261**	48,014
Profit from operations	**1,451**	1,775
Profit attributable to shareholders	**901**	1,045
Segment profit after taxation		
Motor and Motor Related Business	**912**	921
Food and Consumer Products Business	**254**	223
Other Business	**61**	71

At year end (HK$ million)	**2013**	2012
Total debt	**7,424**	6,409
Cash and bank deposits	**2,173**	3,225
Net debt	**5,251**	3,184
Shareholders' funds	**8,994**	8,511
Total capital	**14,245**	11,695
Capital employed	**16,418**	14,920
Net gearing ratio	**36.9%**	27.2%

For the year (HK cents)	**2013**	2012
Basic earnings per share	**49.21**	57.24
Diluted earnings per share	**49.15**	57.06
Dividend per share		
Interim	**8.68**	11.78
Final	**10.72**	8.88
Total	**19.40**	20.66

Chairman's Letter to Shareholders

Zhang Jijing
Chairman

I am delighted to be the new Chairman of DCH with effect from January 2014 and report the performance of the Group in 2013. I am also pleased to share my vision with you in my first Chairman's Letter.

Chairman's Letter to Shareholders

The year 2013 was challenging for DCH. The performance of our Motor Business in Hong Kong and other markets was good but our results were affected by the discontinuation of the Bentley PRC distributorship. Turnover for the Group for the year ended 31 December 2013 decreased by 12.0% to HK$42,261 million. Profit attributable to shareholders declined by 13.8% to HK$901 million. Basic earnings per share were also down 14.0% to 49.21 HK cents. The Board of Directors of DCH has proposed the payment of a final dividend of 10.72 HK cents per share (2012: 8.88 HK cents per share), along with an interim dividend of 8.68 HK cents per share already paid, bringing the full year's dividend to 19.40 HK cents per share (2012: 20.66 HK cents per share).

The Group has formulated a five-year plan which aims to reinvigorate our growth momentum for the next five years to 2018. DCH is continuing its focus on the core businesses of motor and food and consumer products segments in the Greater China region while exploring new businesses which will create synergy with existing operations.

MOTOR AND MOTOR RELATED BUSINESS

Distributorship in Mainland China

In addition to the discontinuation of the Bentley PRC distributorship, there was also a drop in demand for imported commercial vehicles amid a slowdown in China-based infrastructure projects. Thus, this segment has recorded a significant drop in turnover in 2013. It is expected that infrastructure construction will pick up and therefore the market for imported heavy duty trucks will recover in 2014.

Dealership Expansion in Mainland China

DCH saw an improvement in its PRC dealership business during the year with increased new car sales margins and after-sales per vehicle spending. However, with the resumption of opening new 4S shops in the second half of 2013 after the hold back in 2012, the improvement of the dealership business was partly offset by start-up expenses incurred in the new shops, especially the luxury brands. This short term investment cost is necessary to ensure the healthy development of our dealership network and future profitability.

Despite the vehicle restriction policies in some first-tier cities, China's motor market is forecasted to grow by 10% in 2014 with sales in second- and third-tier cities underpinning much of this growth. DCH is taking a balanced approach in expanding our new dealership network. We will continue to work with our strategic partners in opening new dealerships in selected locations but preference will be given to merger and acquisition ("M&A") projects in order to maintain a steady yearly return to our shareholders. Our target is to add 10 to 15 dealerships in 2014 via M&A and greenfield development as more M&A targets meeting our strategic objectives become available.

DCH will continue to enhance the dealership profitability through improving after-sales service capabilities, increasing the income from auto insurance by establishing a national insurance agency company and expanding the used car business to more cities in 2014.

DCH also sees potential in the car rental, finance leasing, and spare parts trading businesses as well as independent service outlets as more cars are being repaired outside the franchise dealerships. We have established solid base in these areas and we firmly believe the investment made in the past few years to develop these motor related businesses will bear fruit soon.

Chairman's Letter to Shareholders

Outstanding Performance in Hong Kong

In Hong Kong, the motor market recorded a growth of 11.1% in 2013. DCH has outperformed the market and increased our market share to 20.8%, thanks to the improved sales of commercial vehicles and the encouraging sales of new passenger car models. Together with higher margins due to the weakening of the Japanese Yen, we have achieved an outstanding performance in the Hong Kong Motor Business.

In the coming years, we expect to continue to benefit from the environmental protection policies of the HKSAR Government as the Group has been steering the growth of related business over the past few years. The introduction of an HK$11.4 billion ex-gratia payment scheme by the Government to replace aged diesel commercial vehicles should boost the demand for new commercial vehicles. DCH, as the market leader in the truck and bus market in Hong Kong and carrying a wide range of commercial vehicles with established service facilities, is well-positioned to benefit from the rising demand. Together with the weakening of the Japanese Yen, we believe DCH shall deliver strong segment results in 2014.

Impressive results in Other Markets

The year 2013 marked the first full year of operation of our Taiwan *Isuzu* distributorship business. We are pleased with the progress in building a comprehensive sales and after-sales service network in the market which has resulted in significant unit sales growth. The *Isuzu* semi-knockdown assembly factory in Taichung is to commence production in the second half of 2014, following a successful trial production in December last year. We foresee the growing market demand and DCH should capture a higher share in the Taiwan commercial vehicles market with the new facilities in place.

Our *Isuzu* distributorship business in Singapore is also thriving with the strong demand for commercial vehicles there in line with the rolling out of the infrastructure development projects.

The strong performance of these *Isuzu* distributorship businesses across different regions further strengthens our partnership with the principal and the development of new business opportunities for the Group.

FOOD AND CONSUMER PRODUCTS BUSINESS

The Food Business recorded modest growth in 2013 which was below our expectation. It was mainly attributable to the shrinkage of the gift market in the PRC, the restriction of using public funds on dining and entertainment, and the delay in the introduction of new brands during the year.

Restructuring of Food Business in Mainland China

To fast track our Food Business in mainland China in accordance with the five-year plan, we have established distinct management structures with sales management focusing on geographic expansion and channel development; whilst brand management concentrating on liaison with principals and bringing new products to the market. We shall accelerate the setting up of regional sales offices in core Chinese cities aiming to expedite direct penetration to the market and develop multiple channels including modern retail, food service and the general trades. The brand management team will explore new agencies and products to meet the demand for quality imported food in mainland China. It aims to enhance brand profitability through close communication with principals, reduction in distribution and logistics costs, and better control of the value chain in the business. The new organisational setup is expected to provide a platform to bring our Food Business to a higher level in 2014.

Growth Opportunity in Hong Kong

Although Hong Kong is a mature market, the performance of our Hong Kong Food Business continued to grow with a stronger contribution from fast moving consumer goods' food distribution and food processing areas. Confectionery, beverage and dairy products all contributed promising revenue growth and new agencies were added to the portfolio. For the food processing business, we became the market leader in the western delicatessen food market after the acquisition of a food processing company in Hong Kong in early 2013. The outlook in 2014 remains promising. We would continue to expand the product portfolio and to enhance the profitability through its solid business platform spanning upstream processing, midstream distribution and downstream retail.

Chairman's Letter to Shareholders

Growth Potential in Dairy Products

Dairy products form a key category in the development of our Food Business. We have secured the agencies of a number of renowned brands for infant milk formula, maternal milk powder and cheese products for distribution in Hong Kong and mainland China in 2014. We are also aggressively developing our house brands, *Del Leche* and *Cheer* in mainland China and Hong Kong and our dairy business is expected to enjoy strong growth in the coming years along with a robust demand in quality imported dairy products in the PRC.

e-Business Development

According to industry reports, e-commerce in mainland China is projected to grow by more than 40% in 2013. Through our in-house and external e-commerce portals, we have achieved an impressive 80% sales growth in 2013. Our strategy in e-business is to optimise the utilisation of e-commerce channels and to leverage our expertise in distribution and logistics services. We continue to look into related investment opportunities to further strengthen our e-commerce capability.

FINANCIAL POSITION

Our net gearing ratio has increased to 36.9% by the end of 2013 with a rise in short term RMB borrowing towards the end of the year to fund the increase in working capital for Chinese New Year sales. The strong cashflow generated from operations has covered our capital expenditures, new investments and working capital requirements and to maintain a stable dividend policy. With our solid financial strength, DCH is well positioned to seize good and strategically-aligned business opportunities in the market.

CONCLUSION

I am confident that DCH has great development potential and by leveraging our close relationship with CITIC Pacific and CITIC Group, we are confident that DCH will achieve a sustainable growth in the long term. With decades of experience in the Motor Business, our vision is to become one of the niche players in the Greater China market with business covering mainland China, Hong Kong, Macao and Taiwan. For Food and Consumer Products Business, we have laid solid ground for the Total Food Supply Chain and our vision is to become one of the foremost, diversified and fully integrated distributors of import and renowned food and consumer products in the Greater China market.

On behalf of the Board, I would like to thank our former Chairman, Mr. Clement Hui, for his leadership and valuable contributions to the Group during his tenure and take this opportunity to wish Mr. Hui a happy retirement after 47 years of service in DCH.

DCH has an experienced management team and a group of talented and loyal employees which is fundamental to the Group's success. I would like to express my gratitude for their dedication and hard work. I would also like to thank our Board for their guidance and our investors for their trust. We resolve to continue our devoted efforts to sustain the long term growth of DCH and to create value for our stakeholders.

Zhang Jijing
Chairman
Hong Kong, 20 February 2014

Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECTS

Operating Results

For the year ended 31 December 2013, the Group recorded a turnover of HK$42,261 million, a decrease of 12.0% against last year (2012: HK$48,014 million) upon the discontinuation of the *Bentley* PRC distributorship by the end of 2012. Profit attributable to shareholders decreased by 13.8% to HK$901 million (2012: HK$1,045 million). The adjusted net profit for the year, after excluding the non-operating items, amounted to HK$889 million, a drop of 5.8% when compared with HK$944 million last year.

TURNOVER OF THE GROUP

HK$42,261m

PROFIT FROM OPERATIONS

HK$1,451m

Motor and Motor Related Business

- Segment turnover of Motor and Motor Related Business in 2013 decreased by 15.5% to HK$32,627 million.
- Segment result from operations decreased by 11.6% to HK$1,184 million. The strong performance from Hong Kong and other regional markets partially offset the drop in contribution from the PRC market.
- Segment margin increased by 0.1-percentage-point to 3.6%.

Motor and Motor Related Business

MAINLAND CHINA

- Segment turnover in 2013 decreased by 22.9% to HK$24,650 million with the discontinuation of the *Bentley* PRC distributorship and the drop in demand for imported commercial vehicles.
- Segment result from operations decreased by 42.9% to HK$597 million.
- Segment margin decreased by 0.9-percentage-point to 2.4%.
- Overall motor market expanded by 13.9% to 22.0 million units.
  - Passenger car market increased by 15.7% to 17.9 million units.
  - Commercial vehicle market increased by 6.4% to 4.1 million units.
- DCH sold around 84,600 units in the year, including around 77,600 units of passenger car and around 7,000 units of commercial vehicle.
- Dealership unit sales increased by 13.4% mainly contributed by new dealership.
- Overall dealership revenue increased by 8.4% in which after-sales accounted for 10.3% of dealership revenue.
- The same-store new car unit sales increased by 8.6%. The same-store after-sales service revenue increased by 7.1% whilst the service volume was 2.4% higher than last year.

Motor and Motor Related Business

- The number of 4S shops increased to 75. During the year, 12 4S shops were added including ten greenfield and two merger and acquisition ("M&A") projects. Meanwhile, six dealerships were discontinued in 2013, including *FAW Mazda*, *FAW Jilin*, *Qingling* (2) and *Renault* (2).
- The overall vehicle market will continue to expand steadily at around 10% in 2014.
- The imported *Isuzu* business is expected to pick up gradually in 2014 as demand from heavy machinery OEM customers recovers.
- For dealership profitability, DCH will further enhance operational efficiency and effectiveness from a brand and regional perspective. Meanwhile, the after-sales service enhancement actions will continue in 2014.
- DCH will adopt a balanced approach to expand our dealership network, which preference will be given to M&A projects in order to maintain a steady yearly return to our shareholders.
- DCH will also work with strategic car manufacturer partners to open dealerships in favourable locations. In line with the network expansion strategies of our partners, in addition to opening full scale 4S shops, we will open more showrooms in 2014 in order to speed up the network expansion.
- Currently 12 greenfield 4S projects are in progress:

Brand	**Location**
Bentley	Fujian, Guangxi
DF Honda	Guangdong
FAW Toyota	Jiangxi, Yunnan (3), Zhejiang
Lexus	Zhejiang
Mercedes-Benz	Chongqing, Hunan
SGM Buick	Yunnan

- Our national insurance agency company will commence business in 2014 to increase auto insurance commission income of our dealership business from insurance companies.
- Another used car trading company has been formed in Shenzhen in addition to the one in Guangzhou. With the value added tax reform implemented in the PRC at the end of 2013, the Group will resume the development of finance leasing and thus expects to have a faster expansion in 2014.
- To capture the growing after-sales service demand in China, we will continue the independent service outlet project and consider different approaches to speed up the network development.
- The lubrication oil blending business has achieved good progress with sales doubling in 2013. The sole national distributorship of *Repsol* in China has been extended for another ten years.

Motor and Motor Related Business

- Major awards and achievements during the year:

Brand	Award	4S Shop
Maserati	Best Dealer Award (最佳經銷商)	Shenzhen Junjiaxing
FAW Toyota	Best Sales Performance Award (金牌經銷店)	Shenye FAW Toyota, ranked 5th nationally Foshan Junan, ranked 10th nationally
	Excellent Service Award (服務綜合優秀獎)	Zhanjiang Junhua
SGM Buick	5-Star Sales Award, 5-Star After-sales Service Award (銷售五星獎，售後服務五星獎)	Yunnan Zhongchi
FAW Audi	Best Sales Performance Award (最佳銷售業績獎)	Shenzhen Zengte, ranked 3rd nationally
Bentley	China Best Sales Performance Award (中國區最佳零售獎)	Shanghai DCH Bentley, second runner-up
	National Sales Ranking	Zhejiang Binli, ranked 5th Guangzhou Bentley, ranked 6th
	New Dealers Best After-sales Service Award (最佳售後新經銷商獎)	Ningbo Hebin
DF Nissan	Diamond Award (鑽石級專營店)	Shanghai Zhongtai, ranked 5th nationally
DF Honda	Golden Key Award (黃金鎖匙特約店)	Shenye DF Honda, national top 20

HONG KONG AND MACAO

- Segment turnover in 2013 increased by 16.8% to HK$5,827 million driven by an increase in sales of commercial vehicles and encouraging sales growth from new passenger car models.
- Segment result from operations increased by 59.4% to HK$483 million with improvement in margin of new car sales under favourable exchange rates.
- Segment margin increased by 2.2-percentage-point to 8.3%.
- Overall Hong Kong motor market expanded by 11.1% to around 50,300 units.
  - Passenger car market increased by 6.8% to around 38,100 units.
  - Commercial vehicle market increased by 26.8% to around 12,200 units.
- DCH achieved encouraging unit sales growth of 18.4% with a total of around 12,900 units sold.
  - Passenger car sales increased by 17.9% to around 9,700 units.
  - Commercial vehicle sales increased by 20.0% to around 3,200 units.
- In Hong Kong, DCH achieved 20.8% overall motor market share in 2013, 1.4-percentage-point up from 2012, and captured around 50% market share in the truck and bus market.
- Passenger car market is expected to remain stable in 2014 whilst the truck and bus market is expected to grow by around 25% in 2014.

Motor and Motor Related Business

- In Hong Kong, strong demand for commercial vehicles in the coming years is expected following the launch of the HKSAR Government's HK$11.4 billion ex-gratia payment scheme. As a market leader in the truck and bus market, DCH is well-prepared for such demand as a new commercial vehicle service centre will commence business in the second quarter of this year.
- The HKSAR Government's policy of promoting electric vehicles will further encourage the uptake of electric vehicles in Hong Kong. As a pioneer in supplying electric passenger cars and buses, the Group is in a strong position to capture the business opportunities. Meanwhile, after the delivery of the first electric bus in Hong Kong in 2013, DCH is also exploring the possibility of supplying electric buses to franchised bus companies.
- DCH is a major supplier of catalytic converters, a device reducing vehicle emission of harmful chemicals. The catalytic converter supply business for LPG taxis and light buses has started in the fourth quarter of 2013 and we are continuously working on the tender for supplying emission reduction devices to franchised bus companies.

OTHER MARKETS

- Segment turnover in 2013 increased by 29.1% to HK$2,150 million.
- Segment result from operations increased to HK$104 million.
- Segment margin was 4.8%.
- Taiwan
  - *Isuzu* unit sales picked up strongly in 2013 and achieved a 10.3% market share in the Japanese commercial vehicle market, attributable to our sales and after-sales service network expansion.
  - The semi-knock down assembly plant in Taichung completed its trial production in December 2013 and is expected to start production in the second half of 2014. This initiative should further boost our *Isuzu* business in Taiwan in the coming years.
  - The New Taipei City *Audi* dealership has commenced business in the second half of 2013. This together with the existing dealerships in Taipei and Hsinchu gives DCH a strong presence in the northern Taiwan.
- Singapore
  - The Singapore Government has increased the Certificate of Entitlement quota for commercial vehicles in 2013. Together with the demand triggered by the infrastructure sector, our *Isuzu* unit sales grew by 71.1%.


Bruschette
Maretti


Cheer
Cheer
Cheer
Cheer
Cheer
Cheer
milk

Food and Consumer Products Business

- Segment turnover reached HK$9,598 million, an increase of 3.0% over 2012.
- Segment result from operations grew by 7.6% to HK$324 million with a segment margin of 3.4%, an improvement of 0.2-percentage-point compared to last year.

Food and Consumer Products Business

MAINLAND CHINA

- Segment turnover increased to HK$3,921 million, a growth of 2.6% versus last year. It was below our expectation due to the slowdown of the gift market in the PRC, the restriction of using public funds on dining and entertainment and the delay in launching new brands.

- Segment result from operations grew by 1.7% to HK$117 million (2012: HK$115 million) with the segment margin maintained at 3.0%.

Food Business

A. FMCG

- Turnover of fast moving consumer goods ("FMCG") in the PRC improved by 2.5%, with the growth mainly contributed by snack products. However, the market of some product categories has been adversely affected by the Chinese Government's anti-extravagance campaign.

- Snacks: turnover improved by 9.4% mainly coming from the Group's biscuits business.

- Beverages: turnover increased by 2.8% with a good contribution from the bottled tea and functional drinks.

- Confectionery: turnover dropped by 5.6% which was adversely affected by the anti-extravagance policies of the PRC Government.
- Dairy products: turnover for this product category dropped by 13.7% due to the loss of a retail account. We expect the growth momentum to resume in 2014 with the continuous rising demand of dairy products in mainland China and the securing of new international brands for infant milk formula, UHT milk and cheese.
- With rising disposable incomes and demand for imported foodstuffs in China, we will expand our product portfolio of FMCG products that are consumed in daily life in order to tap this growing demand in future years.
- The Group has embarked on house brand development focused on high-growth categories. *Del Leche*, UHT milk targeted at both retail and food service customers is already enjoying a favourable response.

B. Food Trading

- Overall sales of Food Trading declined slightly by 4.6% comparing to last year. Strong growth momentum exhibited in the Eastern region, driven by a surge in demand of frozen vegetables and groceries items from key food service and retail customers but offset by the drop of poultry products. We will continue to expedite market penetration in different regions with an emphasis on channels development and product portfolio.

C. Food Manufacturing

- Significant improvement was noted in the *Pocari Sweat* manufacturing business (joint venture ("JV") with Otsuka Pharmaceutical) after the commencement of Phase 2 plant in mid-2012.
- The frozen dumplings factory (JV with South Korea's CJ CheilJedang Corporation) expanded its supply territory from southern China to include Hong Kong and Korea.

D. Strategic Developments

- Aligning with China's urbanisation plan riding on the robust economic growth in second- and third-tier cities, we have initiated structural changes to further expand our regional sales platforms and market coverage in eastern, southern and northern China in order to develop sales channels for the food-related business within the Group.

HONG KONG AND MACAO

- Segment turnover grew by 5.3% to HK$4,930 million (2012: HK$4,681 million).
- Segment result from operations increased by 15.7% to HK$273 million (2012: HK$236 million) with the improvement in margin for the distribution of FMCG food products.
- Segment margin edged up by 0.5-percentage-point to 5.5%.

Food and Consumer Products Business

Food Business

A. FMCG

- FMCG business in Hong Kong outperformed last year with a 10.0% increase in turnover. The major contribution for growth came from dairy and confectionery products.
- Dairy products: turnover surged by 32.0% with additional sales contributed by a new milk formula agency.
- Confectionery: turnover grew significantly by 34.0% attributable to the strong sales in Chinese New Year and expanded product lines.
- Beverages: turnover registered a 2.9% growth, whilst good performance was recorded from the functional drinks category.
- New agencies were secured for dairy products including *Anmum* Maternal Milk Powder and Infant Milk Formula from *Fonterra* as well as in the chocolate and snacks categories.
- Our house brand *Cheer* has developed an extensive sales platform across all major supermarket chains in Hong Kong in fresh milk, snacks, nuts and eggs. The portfolio will continue to be expanded.

B. Food Trading

- Stable growth was recorded in frozen beef, pork and poultry products. The overall sales of Food Trading recorded slight decrease of 2.8% as part of the sales was booked separately under our 50% owned JV since April 2012.
- Performance of frozen seafood and beef was encouraging. Strong effort was put on expanding our sourcing network from different regions.
- Edible oil and sugar business was steady while we maintained the leading position as one of the major importers for these products in Hong Kong.
- Apart from our current product portfolio inclusive of frozen and chilled meat, edible oil and groceries, the Group will continue to develop new product categories such as live and chilled seafood and fresh fruit to capture the growing demand and market potential for these products.

C. Food Manufacturing

- Sales grew by 48.4%, attributed to the acquisition of a western delicatessen food processing company in February 2013, which further strengthened the Group's leading position in this segment. The existing processing companies also recorded a steady growth in turnover with improved product mix and customer base.
- Our coffee and tea manufacturing business achieved a 12.2% growth in turnover.
- The food processing facility in Yuen Long will be further expanded to enhance overall production capacity and efficiency.

D. Retail

- Turnover of *DCH Food Mart* was slightly up from last year with the total number of retail food outlets increased to 91.
- Continuous efforts have been put on revamping existing retail shops and progressively upgrading selected *DCH Food Mart* into *DCH Food Mart Deluxe* shops to enhance the image and optimise the product portfolio.
- Looking ahead, the Group will also prudently expand the retail outlets and introduce new concept stores in 2014 to diversify our retail business profile so as to meet the demand of the particular growing market segment.

Food and Consumer Products Business

Consumer Products Business

- Turnover in the electrical appliances distribution business dropped by 3.4% due to the sluggish white goods market in line with the slow down of the property market in Hong Kong.
- A total of 68 *DCH AV Shops* and *DCH Digi Shops* across Hong Kong and PRC are strategically located in more than 30 cities, including Beijing, Shanghai, Chengdu, Guangzhou, and other second-tier cities. The Group also collaborates closely with key electronics retailers and well-established online platforms aimed at boosting our market share and promoting the DCH brand in high-end AV and trendy digital products to cope with the growing demand in mainland China.
- In addition to the launch of Tchibo's *Cafissimo* coffee makers in early 2013, we also secured the exclusive distributorship rights of a renowned brand, *SOUL Electronics*, covering headphones and other accessories products for Hong Kong, Macao and the PRC markets.
- We will also open a new showroom for *AEG*, a premium line of built-in electrical appliances under Electrolux Group, in the first quarter of 2014 in Hong Kong.

Logistics Business

- Our Logistics business achieved a growth of 13.5% as a result of boosting the import logistics and repacking businesses as well as the acquisition of a cold chain logistics operator in Guangzhou in mid-2013.
- A supply contract was entered with Walmart to provide sourcing and importation services for fresh fruit and meat products from overseas into China.
- The new repacking centre in Shanghai has commenced operations in the second half of 2013.
- We have smoothly integrated the business of the cold chain logistics operator in Guangzhou which we acquired in June 2013 with our existing logistics facilities in Shanghai, Xinhui, Xiamen and Shenzhen. This provides an enhanced logistics platform in eastern and southern China for the Group to further expand the Food business.

Electrical Appliances Manufacturing

- The electrical appliances manufacturing business continued to record a loss in 2013. We have implemented a restructuring plan in early 2014 to downsize the operation which will substantially reduce the operating loss in 2014.

e-Business Development

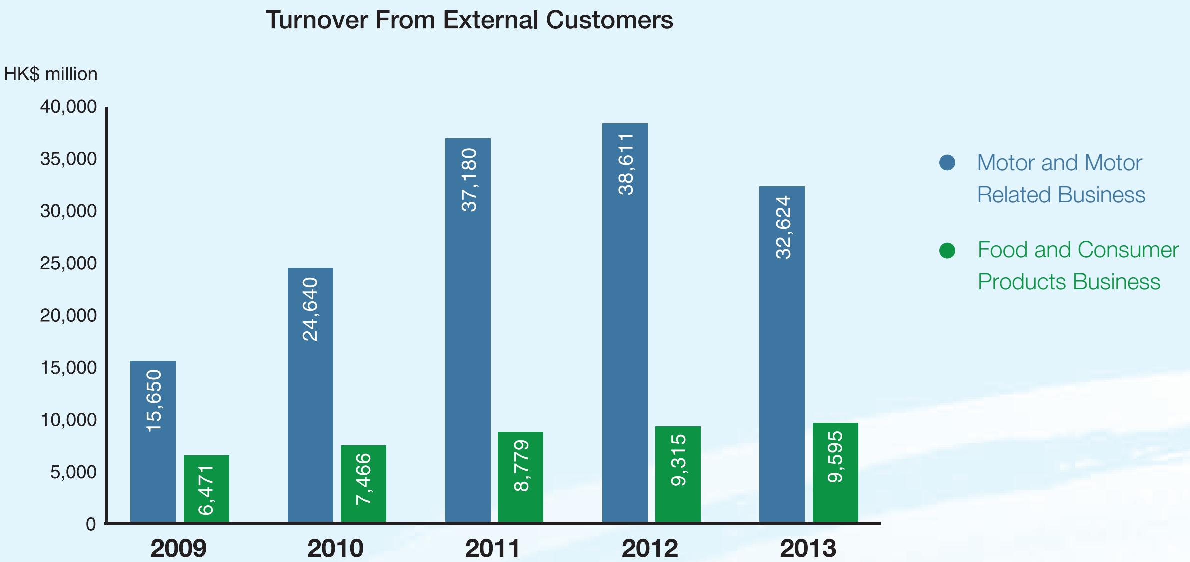
- Riding on our own online shopping portals and various external electronic sales platforms, we offer imported foodstuffs, confectionery, beverages, dairy products, gift hampers and electrical appliances to consumers across Hong Kong and the PRC. In 2013, our e-commerce business recorded an 80% sales growth and we will further develop and invest in this channel to capture the robust growth opportunity.

Financial Review

INTRODUCTION

The Group's 2013 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 2013 was HK$42,261 million, decreased by 12.0% compared with HK$48,014 million in 2012, which was mainly attributable to the followings:

- **Motor and Motor Related Business**

  Turnover of Motor and Motor Related Business Segment decreased by 15.5%. Turnover of PRC market dropped by 22.9% mainly attributable to the discontinuation of the Bentley distributorship and a drop in demand for imported commercial vehicles with the slowdown of infrastructure development in the PRC. Turnover of Hong Kong and Macao segment on the other hand grew remarkably by 16.8% as a result of improved sales of commercial vehicles due to our successful strategy in promoting environment-friendly products, and encouraging sales of new passenger car models. Turnover of other markets segment also grew by 29.1% with the full year operation of Isuzu distributorship business in Taiwan and increased sales of commercial vehicles in Singapore with the rolling out of the infrastructure development projects.

- **Food and Consumer Products Business**

  Turnover of Food and Consumer Products Business Segment increased by 3.0% with Hong Kong and Macao market grew by 5.3%, China market grew by 2.6% and other markets dropped by 8.3%. In addition, revenue of HK$3,610 million (2012: HK$2,263 million) from frozen pork and poultry business was booked separately under a joint venture. The FMCG distribution business in the PRC was impacted by the shrinkage of gift market, the restriction of using public funds on dining and entertainment, and the delay of new brands introduction during the year. For Consumer Products Business, the sales momentum for trendy mobile electronic audio products remained strong in both Hong Kong and PRC markets.

SEGMENT PROFIT AFTER TAXATION

Segment profit after taxation was HK$1,227 million, slightly increased by 1.0% in 2013 compared with 2012 attributable to the following major reportable segments:

- **Motor and Motor Related Business**

  Segment profit after taxation dropped by 1.0% to HK$912 million (2012: HK$921 million). This was mainly attributable to the 40.5% reduction in segment profit in mainland China to HK$401 million (2012: HK$674 million) upon the discontinuation of the Bentley distributorship in the PRC and decrease in contribution from the imported commercial vehicle business. The segment profit in Hong Kong and Macao on the other hand increased by 59.4% to HK$416 million (2012: HK$261 million), with the increase in sales of environment-friendly vehicles and commercial vehicles and favourable Japanese Yen exchange rate in 2013. Other markets also contributed a segment profit after taxation of HK$95 million (2012: loss of HK$14 million) with increase in contribution from Isuzu business in Singapore and Taiwan and after including the goodwill payment for the discontinuation of the Richmond Acura dealership.

- **Food and Consumer Products Business**

  Segment profit after taxation increased by 13.9% to HK$254 million (2012: HK$223 million). Segment profit after taxation in Hong Kong and Macao increased by 17.8% to HK$232 million (2012: HK$197 million) mainly attributable to increased contribution from food manufacturing and distribution of food commodities and FMCG food products. Despite the unfavourable business environment for FMCG food distribution in the PRC, segment margin remains stable. Segment profit after taxation in mainland China increased by 8.0% to HK$94 million (2012: HK$87 million). For other markets, the electrical appliances manufacturing business for sales mainly to the European market continued to be challenging and incurred a loss of HK$76 million (2012: HK$82 million) during the year.

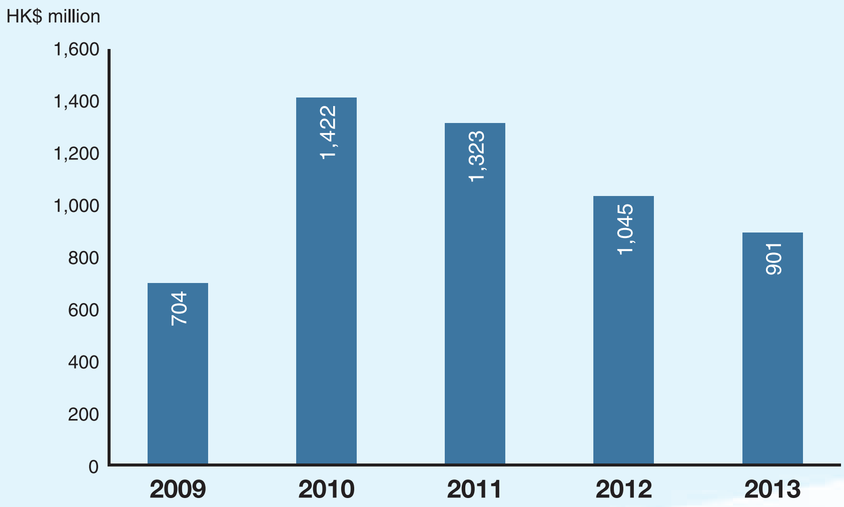
Note: Segment profit after taxation represents profit after taxation from each reportable segment including share of profit after tax of associates and joint ventures. Items not specifically attributable to individual segment are not allocated to the reportable segments.

Financial Review

PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Profit attributable to shareholders of the Company for the year 2013 was HK$901 million, a decrease of 13.8% as compared with HK$1,045 million in 2012, mainly affected by the drop in profit contribution of PRC motor segment and a lower net gain on remeasurement of investment properties and property held for sale.

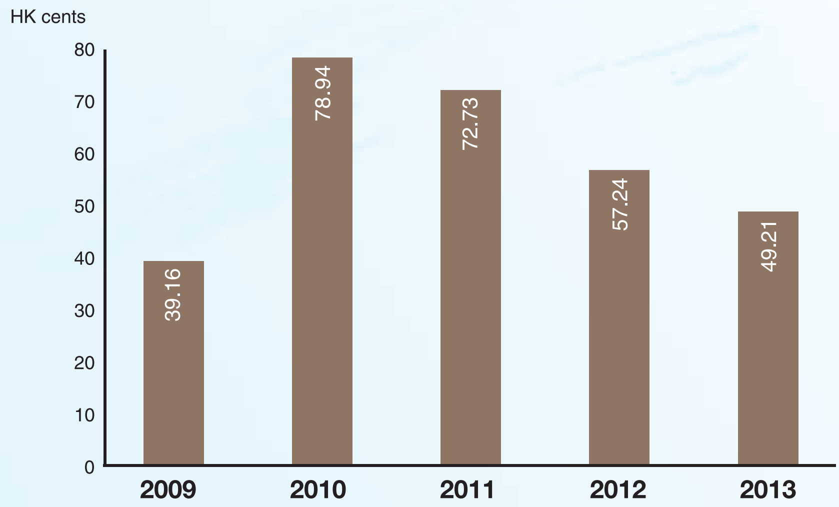
Profit Attributable to Shareholders



BASIC EARNINGS PER SHARE

Calculation of basic earnings per share for the year ended 2013 was based on the profit attributable to shareholders of the Company and the weighted average number of 1,830,842,863 ordinary shares (2012: 1,825,641,060 ordinary shares) in issue during the year. Basic earnings per share was 49.21 HK cents for 2013, a decrease of 14.0% as compared with 57.24 HK cents for 2012.

Basic Earnings per Share



Financial Review

DIVIDEND PER SHARE

The Board of Directors proposed payment of a final dividend of 10.72 HK cents per share for the year ended 31 December 2013 (2012: 8.88 HK cents), together with the interim dividend of 8.68 HK cents (2012: 11.78 HK cents) already paid, the total dividend for 2013 was 19.40 HK cents (2012: 20.66 HK cents).

FINANCE COSTS

The Group's finance costs decreased by 28.2% to HK$234 million mainly due to decrease in RMB bank borrowings during the year with the implementation of cash pooling in the PRC.

INCOME TAX

Income tax decreased by 34.1% to HK$340 million. The effective tax rate for the year was 26.7% (2012: 33.8%). Included in the tax charge for 2012 was a provision of HK$35 million for certain expenses of a subsidiary in Japan in prior years being treated as not deductible.

NET ASSET VALUE PER SHARE

Calculation of net asset value per share was based on the net asset value of the Group of HK$9,373 million (31 December 2012: HK$8,904 million) and the 1,831,993,000 ordinary shares issued at 31 December 2013 (31 December 2012: 1,829,743,000 ordinary shares). Net asset value per share at 31 December 2013 was HK$5.12 (31 December 2012: HK$4.87).

CAPITAL EXPENDITURE

In 2013, the Group's total capital expenditure was HK$1,069 million (2012: HK$1,052 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 demo cars and leasing businesses in Hong Kong and mainland China
Food and Consumer Products Business	– Fixtures and fittings, plant and equipment, and acquisition of logistics facilities in the PRC

HK$ million	**2013**	2012	Change
Motor and Motor Related Business	**969**	932	37
Food and Consumer Products Business	**83**	94	(11)
Other Business	**3**	10	(7)
Corporate Office	**14**	16	(2)
Total	**1,069**	1,052	17

Financial Review

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. Cash pooling is applied in Hong Kong and mainland China for more efficient utilisation of cash.

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

Foreign Currency Exposure

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

The Group enters into foreign currency forward contracts primarily for hedging its sales and purchases that are denominated in currencies other than the functional currency of the operations to which they related. At 31 December 2013, the Group recognised foreign currency forward contracts with a fair value of HK$2 million liabilities (31 December 2012: HK$4 million liabilities) as derivative financial instruments.

Interest Rate Exposure

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

In 2013, the Group had entered into a number of interest rate swaps with a total notional contract amount of HK$800 million to reduce the impact of interest rate fluctuation on its unsecured bank borrowings. These interest rate swaps will be expired in 2015 and 2016.

At 31 December 2013, together with the interest rate swaps entered in 2012, the Group had total outstanding interest rate swaps with a total notional contract amount of HK$1,400 million.

At 31 December 2013, the Group had a AUD / USD cross currency swap with a notional contract amount of AUD30 million to hedge the interest rate and foreign currency exposure of an unsecured bank borrowing which is denominated in Australian Dollars. The cross currency swap will mature in 2015 matching with the maturity and the currency of the underlying bank borrowing.

At 31 December 2013, the Group recognised interest rate swaps and the cross currency swap with a fair value of HK$2 million liabilities (31 December 2012: 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	**2013**	2012	Change
Operating profit before changes in working capital	**1,967**	2,216	(249)
Increase in working capital	**(2,092)**	(408)	(1,684)
Cash (used in) / generated from operations	**(125)**	1,808	(1,933)
Income tax paid	**(387)**	(555)	168
Net cash (used in) / generated from operating activities	**(512)**	1,253	(1,765)
Net cash used in investing activities	**(848)**	(354)	(494)
Dividends paid to shareholders of the Company	**(321)**	(447)	126
Net cash generated from other financing activities	**624**	126	498
Net (decrease) / increase in cash and cash equivalents	**(1,057)**	578	(1,635)

Operating profit before changes in working capital

Profit before taxation was HK$1,274 million in 2013 (2012: HK$1,526 million). After adding back the non-cash items like depreciation and amortisation and impairment losses, and excluding the non-cash exceptional items like net gain on remeasurement of investment properties and foreign exchange gain, operating profit before changes in working capital was HK$1,967 million (2012: HK$2,216 million).

Increase in working capital

In 2013, working capital increased by HK$2,092 million which included the increase in inventories of HK$599 million; the increase in trade receivables of HK$336 million for Motor Business mainly for fleet sales of commercial vehicles and HK$72 million for Chinese New Year related sales of Food and Consumer Products Business; increase in other receivables of HK$778 million mainly advance payments to suppliers and rebate receivable; and the decrease in trade and other payables of HK$307 million.

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

Net cash (used in) / generated from operating activities

Cash used in operations, after taking into account the increase in working capital, was HK$125 million (2012: cash generated from operations of HK$1,808 million). Together with the tax paid of HK$387 million (2012: HK$555 million), net cash used in operating activities was HK$512 million (2012: net cash generated from operating activities of HK$1,253 million).

Net cash used in investing activities

Payment for purchase of fixed assets and lease prepayments in 2013 were HK$1,054 million (2012: HK$1,096 million) and net cash outflow for acquisitions of subsidiaries of HK$277 million (2012: net cash inflow for acquisitions of subsidiaries of HK$18 million), after netting off the net proceeds from disposal of fixed assets of HK$305 million (2012: HK$559 million) and net cash generated from other investing activities of HK$178 million (2012: HK$165 million), net cash used in investing activities was HK$848 million (2012: HK$354 million).

Financial Review

Net cash generated from / (used in) financing activities

Net cash generated from financing activities was HK$303 million (2012: net cash used in financing activities was HK$321 million). This was mainly due to the net proceeds from bank and other loans of HK$983 million (2012: HK$626 million) and proceeds from shares issued under share option schemes of HK$12 million (2012: HK$45 million), offset by net cash outflow to holders of non-controlling interests of HK$106 million (2012: HK$174 million), interest paid of HK$234 million (2012: HK$326 million), dividends paid to shareholders of the Company of HK$321 million (2012: HK$447 million) and dividends paid to holders of non-controlling interests of HK$31 million (2012: HK$45 million).

GROUP DEBT AND LIQUIDITY

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

HK$ million	**2013**	2012	Change
Total debt	**7,424**	6,409	1,015
Cash and bank deposits	**2,173**	3,225	(1,052)
Net debt	**5,251**	3,184	2,067

The original denomination of the Group's borrowings as well as cash and bank deposits by currency at 31 December 2013 is summarised as follows:

HK$ million equivalent	HKD	RMB	JPY	USD	CAD	SGD	NTD	AUD	Others	**Total**
Total debt	3,330	2,993	154	331	-	93	240	242	41	**7,424**
Cash and bank deposits	227	1,756	47	80	11	7	29	-	16	**2,173**
Net debt / (cash)	3,103	1,237	107	251	(11)	86	211	242	25	**5,251**

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 2013, the Group's net gearing ratio was 36.9%, compared to 27.2% at 31 December 2012.

HK$ million	**2013**	2012	Change
Net debt	**5,251**	3,184	2,067
Shareholders' funds	**8,994**	8,511	483
Total capital	**14,245**	11,695	2,550
Net gearing ratio	**36.9%**	27.2%	9.7%

Net debt increased in 2013 mainly to finance the capital investment and increase in working capital in mainland China towards the end of the year.

The effective interest rate of the Group's borrowings at 31 December 2013 was 3.8% (2012: 4.1%).

Financial Review

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 2013, the borrowings were repayable as follows:

	HK$ million	% of total
Within 1 year or on demand	**5,608**	76%
After 1 year but within 2 years	**1,520**	20%
After 2 years but within 5 years	**296**	4%
Total	**7,424**	100%

Available Sources of Financing

In addition to cash and bank deposits of HK$2,173 million at 31 December 2013 (31 December 2012: HK$3,225 million), the Group had undrawn available loan facilities of HK$7,591 million (31 December 2012: HK$8,538 million), of which HK$674 million (31 December 2012: HK$789 million) was committed term loans and HK$6,917 million (31 December 2012: HK$7,749 million) was uncommitted money market lines. The Group also had available trade facilities amounting to HK$4,450 million (31 December 2012: HK$7,630 million). Borrowings by sources of financing at 31 December 2013 are summarised as follows:

HK$ million	**Total**	Utilised	Available
Committed facilities:			
Term loans and revolving loans	**4,227**	3,553	674
Uncommitted facilities:			
Money market lines	**10,636**	3,719	6,917
Trading facilities	**6,110**	1,660	4,450

These could be reconciled to the total debt at 31 December as follows:

HK$ million	**2013**	2012	Change
Utilised term loans and revolving loans	**3,553**	3,418	135
Utilised money market lines	**3,719**	2,898	821
Discounted bills and trade loans	**152**	89	63
Others	**-**	4	(4)
Total	**7,424**	6,409	1,015

Financial Review

PLEDGED ASSETS

At 31 December 2013, the Group's assets of HK$795 million (31 December 2012: HK$880 million) were pledged in relation to financing of discounted bills in Japan, issuance of bank acceptance drafts and purchase of vehicle stock in mainland China.

CAPITAL COMMITMENTS

Please refer to note 32(a) to the financial statements for details of capital commitments outstanding at 31 December 2013.

CONTINGENT LIABILITIES

Please refer to note 33 to the financial statements for details of contingent liabilities at 31 December 2013.

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 2013, the Group had complied with all of the above financial covenants.

Five Year Summary

At year end (HK$ million)	**2013**	2012	2011	2010	2009
Total debt	**7,424**	6,409	5,784	3,302	2,436
Cash and bank deposits	**2,173**	3,225	2,854	1,991	1,895
Net debt	**5,251**	3,184	2,930	1,311	541
Shareholders' funds Note 1	**8,994**	8,511	7,909	6,848	5,490
Total capital Note 1	**14,245**	11,695	10,839	8,159	6,031
Capital employed Note 1	**16,418**	14,920	13,693	10,150	7,926
Net gearing ratio	**36.9%**	27.2%	27.0%	16.1%	9.0%
Interest cover (times)	**9**	7	13	19	12
Property, plant and equipment Note 2	**3,798**	3,358	3,070	2,115	1,763
Investment properties	**366**	565	875	704	808
Lease prepayments Note 2	**537**	491	382	299	315
Interests in associates	**224**	236	228	203	130
Interests in joint ventures	**426**	254	239	356	258

For the year (HK$ million)	**2013**	2012	2011	2010	2009
Turnover	**42,261**	48,014	46,109	32,211	22,209
Profit attributable to shareholders Note 1	**901**	1,045	1,323	1,422	704
Basic earnings per share (HK cents) Note 1	**49.21**	57.24	72.73	78.94	39.16
Diluted earnings per share (HK cents) Note 1 and 3	**49.15**	57.06	72.40	78.57	39.16
Net gain / (loss) on remeasurement of investment properties	**19**	43	124	30	(12)
EBITDA	**2,074**	2,362	2,450	2,188	1,351
Dividend per share	**HK cents**	HK cents	HK cents	HK cents	HK cents
Interim	**8.68**	11.78	14.30	10.68	4.51
Final	**10.72**	8.88	12.74	12.77	11.29
Total	**19.40**	20.66	27.04	23.45	15.80

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 2009 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 year 2009 was 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	2013	2012	2011	2010	2009
Location					
Mainland China	**84,562**	81,042	85,448	58,833	40,337
Hong Kong	**10,481**	8,798	9,282	9,214	7,526
Macao	**2,370**	2,058	1,754	1,594	1,083
Other Markets	**3,551**	2,718	2,235	2,014	1,649
Total	**100,964**	94,616	98,719	71,655	50,595

Total number of 4S shops in mainland China

Year end	2013	2012	2011	2010	2009
4S shops	**75**	69	65	55	40

Total number of motor vehicle showrooms in Hong Kong

Year end	2013	2012	2011	2010	2009
Motor vehicle showrooms	**11**	11	13	13	12

Total number of DCH food retail outlets in Hong Kong

Year end	2013	2012	2011	2010	2009
DCH Food Mart	**35**	39	41	60	59
DCH Food Mart Deluxe	**56**	46	42	19	13
Total	**91**	85	83	79	72

Environmental, Social and Governance Report

ENGAGING OUR STAKEHOLDERS

DCH has made every effort to engage all of its stakeholders, including shareholders and investors, employees, customers, suppliers and business partners, the media, government and regulators, the environment and the community to achieve a sustainable development.

SHAREHOLDERS & INVESTORS

An annual general meeting is held every year which provides a chance for our management to meet shareholders face to face. Our annual and interim reports and public announcements are available on the DCH corporate website for shareholders and investors to view anytime. We also meet our institutional investors from time to time through roadshows, individual interviews and luncheons to update them of our latest business developments.

GOVERNMENT & REGULATORS

DCH complies with every law and regulation of the government. For example, before the implementation of the Personal Data (Privacy) (Amendment) Ordinance — enhanced regulations on Direct Marketing in April 2013 and the Trade Description Ordinance (Amendment) in July 2013, measures were taken within the Group to cater for the revised regulations and legal advice was sought to make sure that every action we undertake was and would be legal.

For more details about the compliance with Listing Rules, please refer to the compliance section on pages 41 to 56.

SUPPLIER AND BUSINESS PARTNER

Good supply chain management ensures that we have a sustainable business operation. As our products are sourced from all over the world, stringent rules have to be followed in the sourcing procedure. We are highly concerned whether the operation and product standards of every supplier and business partner are in accordance with local and international laws and regulations. To ensure product quality, certification and qualification must be obtained from suppliers for our motor, food and consumer products. Sample tests are done on food products before sale through our distribution channels to guarantee food safety.

Food safety is the first priority in our own total food supply chain management. We have taken every measure to ensure food safety from our processing plant and packaging line to delivery to the sales channel. Our food processing plants have obtained HKQAA, HACCAP and ISO22000 certification.

MEDIA

The media is an important communication channel between DCH and the public. Media interviews, gatherings and site visits are conducted from time to time for the press to acquire information of our latest development to be communicated with different stakeholders in the community. Press conferences are held when we have important announcements to the public.

CUSTOMERS

1. Customer protection

Customer privacy is always highly respected and is well protected. We strictly comply with the Personal Data (Privacy) Ordinance and strive to prevent customer's personal information from misuse or leakage. Confidentiality is always guaranteed. Besides, we protect our customers by ensuring the suppliers would assume product responsibility. We ensure customer rights are well preserved with product warranties from our principals.

2. Customer engagement

As a responsible and caring service provider, we value every customer's opinion and feedback. Customer Satisfaction Index surveys are regularly conducted to facilitate our continuous improvement in customer service.

Environmental, Social and Governance Report

Providing the best service to customers is our mission and we are dedicated to inculcate a customer-centric service culture within DCH. We are one of the founding members of the Hong Kong Association for Customer Service Excellence ("HKACE"). We have actively participated in a variety of activities that foster service excellence in Hong Kong, including HKACE "Service Appreciation Day", service workshops and seminars during 2013. The core value of "Customer First, Service the Best" of DCH is realised through engagement in these activities.

There are different loyalty clubs in DCH to strengthen our relationship with customers. Leisure activities and exclusive benefits are offered to club members.

EMPLOYEES

1. Working Conditions

The Group owns a team of dedicated and competent workforce to support its business expansion strategies; and to sustain its development in different countries/locations. The Group promotes fairness, respect to employees, equal opportunities for employment and upholds a high standard of code and conduct.

As at 31 December 2013, the Group had a total of 16,454 employees, with 11,957 in mainland China, 3,993 in Hong Kong and Macao, and 504 in other locations, namely, Japan, Taiwan and Singapore.

Location	**December 2013**	December 2012	December 2013 vs December 2012
Mainland China	**11,957**	11,463	+4.3%
Hong Kong & Macao	**3,993**	3,670	+8.8%
Other Locations	**504**	454	+11.0%
Total	**16,454**	15,587	+5.6%

The total number of employees by the end of 2013 was 5.6% higher than that of 2012. More employees were employed in 2013 to support the establishment of new 4S Shops in the Mainland China and the fast expansion of the Isuzu business in Taiwan. As a result of the acquisition of the Leo's Fine Food Company Limited and the Gold Essence Holdings Corp. in 2013, the number of employees also increased in Hong Kong.

To ensure that our Group could attract, motivate and retain talented employees, we will constantly review our compensation and benefits programmes to ensure that they are both competitive with the external market and internally equitable among colleagues. Apart from annual reviews, special reviews will also be conducted to align pay packages of well-performing employees with prevailing market conditions, especially under volatile and severe labour markets. "Pay for performance" is the key principle adopted to link rewards to the achievement of key performance indicators to motivate employees to work towards meeting company goals and objectives.

To increase employees' engagement, wellness and sense of belonging with the Group, different social, recreational and health-related activities were arranged. In Hong Kong, a total of 21 events were organised with more than 7,511 participants and these events were all well received by employees. The Group also cares about the family members of employees and strives to help our employees to maintain a balance between their work and personal lives. One good example is the annual Family Day. The 2013 Family Day held at the Hong Kong Disneyland was welcomed by all Hong Kong colleagues and a high participation of more than 6,000 employees and their family members was recorded. Their sense of belonging to the Group has been greatly enhanced through these activities.

In 2013, the Group was affected by the volatile and competitive labour markets, staff turnover rate of 21.5% for Hong Kong and 30.2% for mainland China. Higher staff turnover was experienced among the frontline sales and logistics employees in Hong Kong, and frontline sales and technical employees in mainland China. Programmes such as expanding recruitment channels, reviewing pay and terms and conditions, etc., were adopted to recruit and retain talent.

2. Health and Occupational Safety

The Group strives to provide a safe and healthy work environment for all employees. Regular reviews and audits are performed in accordance with the statutory and industry requirements.

There was no fatal accident in the Group during the year.

In Hong Kong, the injury rate, on a per thousand employees basis, for the year was 31.4, a significant improvement from the 50.5 for the corresponding period in 2012.

3. Development and Training

Development and retention of human resources continues to be a priority for the Group. Training programmes, both in-house and external, are frequently organised to enhance the competence of the employees. The Group also organises exchange and experience-sharing events among the Hong Kong and China business units to enable them to share their best practices as well as strengthen their collaboration.

To ensure continuous supply of new talent, the Group also organises a variety of traineeship programmes, for example, management trainee, engineering trainee and apprenticeship programmes.

The Group's two-year management trainee programme is where graduates from universities recruited through a competitive selection process, are provided with both classroom and on-the-job training as well as local and overseas assignments.

4. 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.

5. Anti-corruption

The Group exerts constant effort to ensure high standards of business ethics and personal conduct of its employees. The Independent Commission Against Corruption (ICAC) had been invited to give talks to the employees on preventing corruption and handling of situations when corruption might be involved. During the year, 25 sessions were organised and attended by a total of 1,522 employees at different levels.

COMMUNITY

1. Charitable Donation

Embracing the principle of "Giving Back to the Society", DCH renders philanthropic support to a variety of non-governmental organisations such as Oxfam, Orbis, Medecins Sans Frontieres, Heep Hong Association and Life Education Activity Programme.

After the Sichuan Ya'an earthquake in April 2013, Hong Kong headquarters responded quickly and donated HK$500,000 to Oxfam for their relief work. Beyond Hong Kong, our regional offices in mainland China also raised funds among staff. The response was overwhelming and the amount exceeded HK$400,000, offering immediate relief support to those victims in the tragedy.

2. Social Service

With a mission of "For A Better Living", the DCH Volunteer Team actively participated in different social service activities in 2013 to bring a better and happier life for the people in need.

In 2013, both the number of Volunteer Team members and frequency of community services kept rising, contributing a total of more than 4,500 service hours. We cooperated with different charitable organisations to extend our care and concern to the elderly, children and the underprivileged. This year, we have further broadened our service scope by reaching out to the mentally ill and elderly with a history of suicide attempts. We also combined volunteer work with environmental protection initiatives. We led a group of underprivileged children to attend a green workshop for education about eco-friendliness. Moreover, our volunteers joined a rice planting programme of the Produce Green Foundation and donated all of the harvest to the needy.

The Third Mobile Classroom

With the launch of the first and second Mobile Classroom in Sichuan since 2011, the two vehicles have served more than 8,000 children and villagers within remote mountainous areas in Sichuan. In view of the success of the project, the Group has extended its support to sponsor the third Mobile Classroom in Yunnan in 2013. Just as last year, volunteers from Hong Kong and mainland China travelled on the Mobile Classroom to visit the villagers and taught in village schools. They gained invaluable experience during the service trip and helped raise funds for operation of the Mobile Classroom in their respective regions.

Oxfam Trailwalker

Our participation in Oxfam Trailwalker was another successful event during the year. Five teams of DCH walkers, with the assistance from a group of support team members demonstrated their unfailing spirit and completed the 100km challenge. With the concerted effort of all the business units and staff, we made a breakthrough by raising a donation amounting to around HK$190,000 this year.

Volunteer Development

To sustain a never-ending momentum in our community service, we are determined to develop a strong DCH Volunteer Team and nurture volunteer leaders to drive and deliver meaningful services to the needy. The Group provides resources in different learning and development activities in order to achieve this objective. Gatherings were organised to provide a platform for volunteers to exchange and share ideas and views. In 2013, apart from some skill teaching classes such as knitting and Chinese handicrafts, we also arranged team building training, communication workshop and leadership training for volunteers to prepare themselves to provide better community services in the future.

Environmental, Social and Governance Report

Awards and recognition

We are a long-term supporter of the Oxfam rice sale campaign and we garnered the "Top Fundraising — Second Runner Up" and "District Top Fund Raiser — Kwun Tong" awards in 2013, thanks to the united efforts of our staff and volunteers. We were also awarded the "Top Fund Raiser — Third Runner Up" in the Orbis Pin Day. We continued to be recognised as a Caring Company by the Hong Kong Council of Social Services, as well as the Gold Certificate citation for volunteer service participation from the Social Welfare Department.

Looking ahead, we plan to further extend our love to mainland China and establish volunteer teams in different regions.

ENVIRONMENT

1. Emissions and Waste Reduction

As a responsible business conglomerate in Hong Kong and mainland China, we are always conscious of the carbon footprint and waste production of our business. To promote green driving, we continued introducing environment-friendly vehicles and promoting emission reduction devices which met the highest emission standards. Notable examples are electric buses and selective catalytic reduction devices for diesel buses to reduce the impact of pollution on the environment. To further improve the air quality of our community, more than 20 electric vehicles were acquired to replace petroleum-powered company cars in our daily operation.

As a long-term commitment to sustainable development, DCH has joined the Low-carbon Office Operation Programme (LOOP) introduced by the World Wide Fund for Nature (WWF) since 2011. We have set a carbon reduction target "1/2/3" since 2011, that is, comparing with the base year, the total carbon dioxide emission per staff is targeted to be reduced at least 1% annually.

In order to better manage our waste generation, DCH has actively implemented eco-friendly policies to reduce waste generation. For example, our Motor Service Centre has been registered as Chemical Waste Producers under the Waste Disposal (Chemical Waste) (General) Regulation. The used materials are collected by registered waste collectors under the inspection and supervision of the Environmental Protection Department.

2. Use of resources

The Group believes that business growth should not come at the cost of the environment. Throughout the year, we have continued to encourage our employees to embrace the principles of "Reduce, Reuse, Recycle and Replace" in our daily operations. For instance, our internal newsletter, annual report, interim report and other printed materials have been printed on Forest Stewardship Council-certified (FSC) paper since 2011 to reduce the impact on the environment and community.

In order to raise the awareness of environmental protection among employees, the Group has launched an "Energy Saving Campaign" in 2013. Each Group of business units or departments participated in the competition and we compared their electricity consumption with the same period last year. The competition successfully encouraged energy conservation in the Group.

3. Green education

To encourage our staff to adopt a green lifestyle, we have established a DCH Green Committee to promote "Green Care" programmes and arrange a series of green educational activities. Staff have actively participated in "Green Care" programmes such as workshops, campaigns, outings and seminars. Green concepts and tips have also been promoted through the staff newsletter and the "Green Page" on our intranet.

4. Awards and recognition

Through our devoted effort in environmental protection, we have been awarded the "Class of Excellence" in "Energywi$e Label and Wastewi$e Label of the Hong Kong Awards for Environmental Excellence" and "Platinum Label" in the LOOP Labelling Scheme.

CORPORATE GOVERNANCE PRACTICES

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.

Throughout the year 2013, DCH has applied the principles and complied with all code provisions of the Corporate Governance Code ("CG Code") 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").

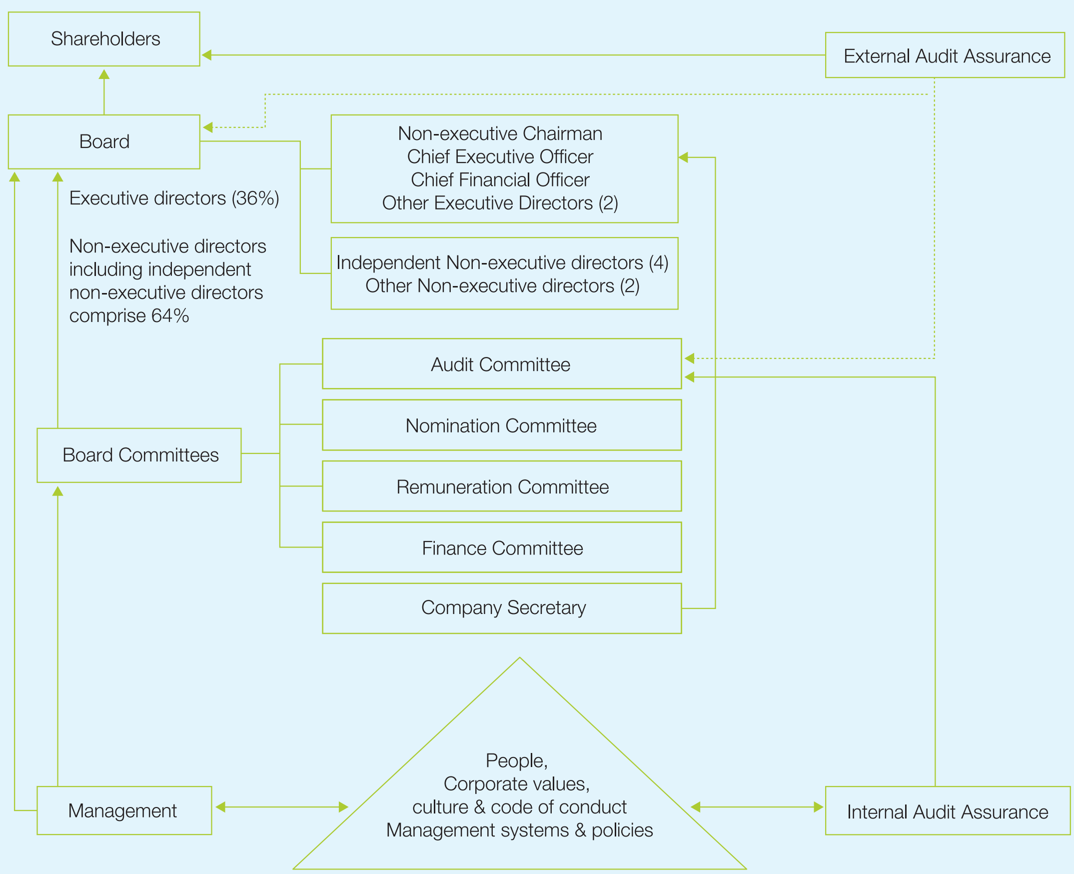
For the year 2013, DCH had made further progress with its corporate governance practices including:

– Adopted board diversity policy;
– Revised the terms of reference of the nomination committee; and
– Revised code of conduct to reflect changes to the law and the operating environment of DCH.

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 as at the date of this report.



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 under review, 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

On 1 January 2014, Mr Zhang Jijing was appointed as the Chairman and non-executive director of DCH following the retirement of Mr Hui Ying Bun. Mr Tsoi Tai Kwan, Arthur resigned as an executive director with effect from 1 January 2014. Currently, the Board comprises 4 executive directors, 3 non-executive directors and 4 independent non-executive directors as defined under the Listing Rules. An updated list of Directors and their roles and functions is posted on the websites of DCH and the Stock Exchange. Non-executive directors (including independent non-executive directors) comprise 64% of the Board of which independent non-executive directors make up more than one-third of the Board. Further details of the composition of the Board are set out under the section headed “Directors” of the Report of the Directors. The Board believes that the balance between executive and non-executive directors is reasonable and adequate to provide sufficient checks and balances that safeguard the interest of shareholders and the Group. Non-executive directors and independent non-executive directors provide the Group with diversified expertise and experience. Their views and participation in Board and committee meetings bring independent judgment and advice on issues relating to the Group's strategy, performance, conflicts of interest and management process, to ensure that the interests of shareholders are taken into account.

Currently the 3 non-executive directors are not independent (as considered by the Stock Exchange) as Mr Zhang Jijing is the president and an executive director of CITIC Pacific Limited (“CITIC Pacific”, the controlling shareholder of DCH); Mr Kwok Man Leung is an executive vice president of CITIC Pacific and Mr Fei Yiping is the group financial controller of CITIC Pacific.

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. 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 “Directors and Senior Management” of the Annual Report.

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 shareholders in general meeting. Each director has entered into an appointment letter with DCH and pursuant to Article 104(A) of DCH's 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 Zhang Jijing was appointed as the Chairman and non-executive director of DCH with effect from 1 January 2014. He will hold office until the forthcoming annual general meeting of DCH to be held on 12 May 2014 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 Articles of Association. Induction materials were provided to Mr Zhang Jijing 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.

Independent non-executive directors are identified as such in all DCH's corporate communications containing the names of the Directors.

DCH adopted a board diversity policy in August 2013 in line with the requirements of the Listing Rules. The nomination committee will monitor the implementation of the board diversity policy and review the same as appropriate.

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 under section headed "Board Committees" of this Report.

Directors' Continuous Professional Development ("CPD") Programme

All directors are encouraged to participate in DCH's CPD Programme at DCH's expense 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 the Group's 3S shops, the new semi-knockdown plant and Audi terminal in Taiwan in November 2013. Directors also attended briefings from business units on the performance of business segments on a quarterly basis. They also received monthly business updates provided by management. Reading materials were provided to Directors on the latest developments or updates 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. During the year under review, DCH has organised for the Directors and senior executives an in-house training session conducted by qualified accounting professionals on the topics of current debt capital market and post-acquisition implementation.

A summary of directors' participation in DCH's CPD Programme for the period from 1 January 2013 to 31 December 2013 is as follows:

Name of Directors	Type of CPD Programme (Key)
Executive Directors	
Mr Yip Moon Tong – *Chief Executive Officer*	A, B, C, D, E
Mr Lau Sei Keung	A, B, C, D, E
Mr Tsoi Tai Kwan, Arthur *(resigned with effect from 1 January 2014)*	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 (retired with effect from 1 January 2014)*	A, B, C, D, E
Mr Kwok Man Leung	A, B, C, D, E
Mr Fei Yiping	A, B, 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	A, B, C, D, E

Keys:
A. Briefings from business units
B. Board visits
C. Monthly regular information updates
D. Seminars
E. Reading materials / regulatory updates

Mr Zhang Jijing was appointed as non-executive Chairman with effect from 1 January 2014. Induction materials and briefings were provided to Mr Zhang 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 2013. 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, six-month action plan, adopted board diversity policy, revised the terms of reference of nomination committee and code of conduct 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 2013, a Board meeting was held in Taiwan where the Board paid site visits to the Group's 3S shops, new semi-knockdown plant and Audi terminal in Taiwan. 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 of CG Code 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 2013, 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 annual general meeting of DCH held on 13 May 2013 ("2013 AGM") is set out below:

Name of Directors	Board Meeting	2013 AGM
Executive Directors		
Mr Yip Moon Tong – *Chief Executive Officer*	4 / 4	1 / 1
Mr Lau Sei Keung	4 / 4	1 / 1
Mr Tsoi Tai Kwan, *Arthur* (Note 1)	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* (Note 2)	4 / 4	1 / 1
Mr Kwok Man Leung	4 / 4	1 / 1
Mr Fei Yiping	4 / 4	1 / 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	4 / 4	1 / 1

Notes:

1. Mr Tsoi Tai Kwan, Arthur resigned as executive director with effect from 1 January 2014.

2. Mr Hui Ying Bun retired as non-executive Chairman with effect from 1 January 2014 and Mr Zhang Jijing was appointed as non-executive Chairman with effect from 1 January 2014.

Chairman and Chief Executive Officer

During the year under review, Mr Hui Ying Bun served 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. Following the retirement of Mr Hui with effect from 1 January 2014, Mr Zhang Jijing serves as the non-executive Chairman.

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 Articles of Association of DCH. For the year under review, Ms Tso has 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 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 4 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 – 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.

Committee Composition and Attendance

The composition of the remuneration committee as well as the meeting attendance during the year under review 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
Mr Chan Kay Cheung *(Note)*	1 / 1
Non-executive Director	
Mr Kwok Man Leung	1 / 1

Note: Mr Chan Kay Cheung was appointed as member of the remuneration committee with effect from 1 July 2013.

Work Done in 2013

During the year under review, the remuneration committee held one meeting. The remuneration committee reviewed the remuneration policies and approved the salaries and bonuses of the executive directors and senior management. No director took part in any discussion about his own remuneration. The remuneration committee had communicated with the Chairman and / or Chief Executive Officer about proposals relating to the remuneration packages of other executive directors and senior management.

Details of directors' emoluments and retirement benefits are disclosed in notes 8 and 29 to the financial statements respectively. Remuneration payable to members of senior management by band are disclosed in note 9 to the financial statements. Details of the Share Option Scheme and the movement of the share options during the year 2013 are disclosed under the section headed "Share Option Scheme" of the Report of the Directors.

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 consisted of 4 independent non-executive directors, Mr Cheung Kin Piu, Valiant, Mr Hsu Hsung, Adolf, Professor Yeung Yue Man and Mr Chan Kay Cheung (who was appointed on 1 July 2013). The chairman of the committee is Mr Cheung Kin Piu, Valiant who has relevant professional qualifications and expertise in financial reporting matters. During the year under review, the audit committee met three times 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 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
- 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.

Committee Composition and Attendance

The composition of the audit committee as well as the meeting attendance during the year under review 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
Mr Chan Kay Cheung (Note)	2 / 2
Other Attendees	
Mr Wai King Fai, Francis – *Chief Financial Officer*	3 / 3
Internal Auditor	3 / 3
External Auditor	3 / 3

Note: Mr Chan Kay Cheung was appointed as member of the audit committee with effect from 1 July 2013.

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 2013

During 2013, 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 checklists for compliance with statutory and Listing Rules requirements for ensuring the integrity of the financial statements, reviewed KPMG reports to the audit committee, reviewed the audit plan by KPMG; approved internal audit's annual audit plan and reviewed the overall audit work progress in each committee meeting, reviewed reports from internal audit on findings, recommendations, management response and progress in rectification of internal control; reviewed the staffing and resources of the group internal audit, reviewed internal audit charter; reviewed the terms of reference of the audit committee, reviewed the report from management on annual self-assessments of the effectiveness of the internal controls of the Group; reviewed the report on Directors' CPD programme, corporate governance policy and code of conduct and the compliance of DCH with the CG Code and disclosures of corporate governance in the Environmental, Social and Governance Report.

In the audit committee meeting of February 2014, the audit committee reviewed and approved DCH's annual financial statements and annual report for the year ended 31 December 2013, and considered reports from the external and internal auditors. The audit committee recommended that the Board approves the 2013 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. In August 2013, DCH adopted a board diversity policy and the terms of reference of nomination committee was updated. The nomination committee is responsible for monitoring and reviewing the Board's composition where board diversity would be considered from a number of aspects, including but not limited to skills, experience, background, geographical and industry experience, ethnicity, gender, knowledge and length of service. The full terms of reference of the nomination committee and the board diversity policy are available on DCH's website and the Stock Exchange's website.

The nomination committee consists of 6 non-executive directors, the majority of whom are independent non-executive directors. During 2013, the chairman of the committee was Mr Hui Ying Bun. Mr Zhang Jijing was appointed as the chairman of the committee after Mr Hui Ying Bun's retirement on 1 January 2014. The General Manager – Group Human Resources & Administration Department of DCH serves as the secretary of the committee. The committee secretary prepared full minutes of the nomination committee meetings and the draft minutes are sent to all committee members. Two sets of resolutions were passed by circular by all the committee members during 2013.

Committee Composition and Attendance

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 Meeting**
Non-executive Directors	
Mr Hui Ying Bun – *chairman* *(Note 1)*	1 / 1
Mr Kwok Man Leung	1 / 1
Independent Non-executive Directors	
Mr Cheung Kin Piu, Valiant	1 / 1
Mr Hsu Hsung, Adolf	1 / 1
Professor Yeung Yue Man	1 / 1
Mr Chan Kay Cheung *(Note 2)*	1 / 1

Notes:

1. Mr Hui Ying Bun retired with effect from 1 January 2014. Mr Zhang Jijing was appointed as chairman with effect from 1 January 2014.

2. Mr Chan Kay Cheung was appointed as member of the nomination committee with effect from 1 July 2013.

Work Done in 2013

During the year under review, one meeting was held. The nomination committee reviewed the structure, size, composition and diversity of the Board; set certain measurable objectives for board diversity; reviewed the board diversity policy of DCH and concluded all objectives were met and no change to the policy is required. In addition, the nomination committee nominated and recommended the appointment of Mr. Zhang Jijing as Chairman of the Board. On 24 January 2014, 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 4 executive directors. Work done by the finance committee in 2013 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 ("HKFRSs"), the Companies Ordinance (Chapter 32 of the laws of Hong Kong, which was effective until 2 March 2014) 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 and revised HKFRSs that became effective during the year has no significant impact on the Group's results of operation and financial position except for certain presentation and disclosure requirements 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 2013 are set out in the Independent Auditor's Report on page 80.

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 2013, the fees charged to the financial statements of the Group in respect of KPMG's statutory audit amounted to approximately HK$14.3 million. In addition, approximately HK$3.9 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$5.5 million and the fees of provision of other services were approximately HK$1.9 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.

Environmental, Social and Governance Report

DCH has put and continues to place considerable emphasis on maintaining and enhancing the effectiveness of its system of internal control. Under DCH's internal control framework, risk management and internal control are primarily the collective responsibility of every manager and employee. For consistent compliance by every person in DCH, the following key control policies and measures are implemented in the everyday activities, which are summarised below:

1. Overall control environment, including code of conduct governing staff conduct within the Group, and whistle blowing policy (discussed further on page 53);

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 Organizations of the Treadway Commission) internal control framework. The documentation supporting the self-assessments is subjected to review by internal audit. The results of the self-assessments were consolidated and reviewed by the audit committee.

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

- self-assessments made by business units and Group Finance 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 regards internal audit as an important part of the Board and audit committee's oversight function. The principal objective of internal audit, which is set out in an internal audit charter, is to provide the Board and the management with useful information and recommendations on the adequacy and effectiveness of the internal control system of the Group. During the year, the Group has continued to engage the Group Internal Audit Department ("group internal audit") of CITIC Pacific to perform internal audits for the Group.

Authority and Accountability

Under the internal audit charter endorsed by the audit committee, the group internal audit function is authorised by the Board to have access to all records, people and physical properties relevant to the performance of internal audit. The head of group internal audit has unrestricted access to the chairman of the audit committee and reports directly to the audit committee for direction and accountability. This reporting relationship enables group internal audit to provide an objective assurance to the effectiveness of the internal control system of the Group.

Duties

The duties of the group internal audit are described in the internal audit charter. It requires that (a) internal audits are conducted with proficiency, objectively and due professional care in compliance with the standards, guidelines, and the code of ethics of the Institute of Internal Auditors; (b) audit testing and reviews are carried out at all levels of the Group to provide reasonable assurance as to whether the system of internal control is adequate; the assets of the Group are properly safeguarded; the operations are conducted effectively and efficiently in accordance with the Group's policies and procedures as well as relevant laws and regulations; and the accounting records of the audited entities and operations are reliable and (c) special reviews are conducted by group internal audit when required by the management, the audit committee or the Board.

Internal Audit Resources and Major Work Done in 2013

The group internal audit function comprised 23 audit staff members at 31 December 2013 who are based in Hong Kong, Shanghai and Guangzhou respectively to provide audit services to various business units and functions of the Group.

During the year, group internal audit prepared and submitted the annual internal audit plan to the audit committee for approval, according to a risk-based audit priority weighting policy. Pursuant to the approved annual plan, detailed audit planning for each audit, followed by field visits and discussions with management, was conducted with the use of a risk-based audit methodology. Reports to the management were prepared after completion of the audit work, and were summarised for review at each audit committee meeting. Continual follow-up work was undertaken by group internal audit to establish the extent of completion of remedial actions taken by the management, with follow-up results, audit progress and available resources reviewed by the audit committee at each committee meeting.

In 2013, group internal audit issued internal audit reports to the management covering various operational and functional units of the Group, including motor and motor related business, food and consumer products business and head office functions. Other tasks performed by group internal audit during the year include:

- Carried out ongoing assessments of information technology controls pursuant to the annual audit plan.
- Reviewed the 2013 internal control self-assessment exercises for major business units conducted by the management of the Group, regarding internal controls and risk management activities, as well as adequacy, qualification, experience and training programmes of the accounting and financial reporting functions of the Group.

- Implemented continuous training and development programmes, including quarterly sharing sessions and periodic training workshops, for all internal audit staff to enhance their audit skill sets and knowledge.
- Benchmarked the internal audit charter against the latest version of the International Professional Practices Framework issued by the Institute of Internal Auditors to ensure that the group internal audit function remains in line with internationally recognised internal audit practices.

BUSINESS ETHICS

Code of Conduct

At DCH, we consider ethical corporate culture and employees' honesty and integrity to be 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 was revised in 2013 to reflect changes to the law and the operating environment of DCH. The new version of 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 General Manager – 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 will be 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, or (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 Chief Executive Officer. Four whistle blowing instances were reported during the year under review.

Inside Information Policy

The Board has adopted an inside information policy which set out the practices and procedures to (a) monitor of business and corporate developments and events so that any potential inside information ("II") / price sensitive information ("PSI") is promptly identified and related to the Board to enable it to make timely decisions on disclosure, if necessary; and (b) take appropriate measures to preserve confidentiality of II / PSI until proper dissemination via the electronic publication system operated by the Stock Exchange.

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 2013. The interests held by individual directors in DCH's securities at 31 December 2013 are set out in the section headed "Directors' Interests in Securities" in the Report of the Directors.

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 respectively 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:

Convening of Extraordinary General Meeting on Requisition by Shareholders

In accordance with Sections 566 to 568 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong), shareholder(s) of DCH representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings of DCH, may require the directors of DCH to convene an extraordinary general meeting ("EGM"). The written requisition must state the general nature of the business to be dealt with at the EGM and must be signed by the shareholder(s) concerned and deposited at the registered office of DCH at 8th Floor, DCH Building, 20 Kai Cheung Road, Kowloon Bay, Hong Kong for the attention of the company secretary in hard copy form or sent to DCH in electronic form. 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 after the date on which the written requisition is received by DCH 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
Tel. No.: +852 2768 3110
Fax No.: +852 2758 1117

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

Procedures for Putting Forward Proposals at General Meetings by Shareholders

Shareholders are requested to follow sections 615 and 616 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) for including a resolution at an annual general meeting of DCH ("AGM"). The requirements and procedures are set out below:

(i) Any number of shareholders representing at least 2.5% of the total voting rights of all shareholders having a right to vote on the resolution at an AGM to which the requisition relates, or at least 50 shareholders having a right to vote on the resolution at an AGM to which the requisition relates, 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 copy of the requisition specifying the resolution of which notice is to be given and 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 in hard copy form or is sent to DCH in electronic form not less than (i) 6 weeks before an AGM to which the requisition relates; or (ii) if later, the time at which notice is given of that AGM.

Article 108 of DCH's 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 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 7 days prior to the date of such meeting, provided that such period shall be at least 7 days. The written notice must state that person's biographical details as required by Rule 13.51(2) of the Listing Rules.

CONSTITUTIONAL DOCUMENTS

There are no amendments made to the constitutional documents of DCH during the year under review.

The latest version of the memorandum and 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 respective subsidiaries) not to engage in business that may compete with the Group, and (ii) in the event that any opportunity is made available to CITIC Pacific to invest in any independent third party's business engaging in activities carried out by the Group, CITIC Pacific will use its best efforts to procure that such investment opportunity is offered to the Group and the Group shall have a first right of refusal.

CITIC Pacific has reviewed the business of its group (excluding DCH and its respective subsidiaries) and advised that during the year 2013, 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

Zhang Jijing

Aged 58, a Non-executive Director and Chairman since January 2014. Mr Zhang also serves as the chairman of the Nomination Committee of DCH. Mr Zhang is currently the president and an executive director of CITIC Pacific Limited ("CITIC Pacific", the controlling shareholder of DCH listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange")). Mr Zhang also serves as the chairman of the executive committee and a member of both the investment committee and the special committee of CITIC Pacific. Mr Zhang is also a vice president of CITIC Limited, the chairman of CITIC Pacific China Holdings Limited and CITIC Pacific Mining Management Pty Ltd, and a director of CITIC Hong Kong (Holdings) Limited. He was an executive director and a vice president of CITIC Group (the ultimate holding company of DCH), the head of the strategy and planning department of CITIC Limited, a non-executive director of CITIC Securities Company Limited (listed on the Stock Exchange and the Shanghai Stock Exchange) and a non-executive director of China CITIC Bank Corporation Limited (listed on the Stock Exchange and the Shanghai Stock Exchange). He resigned as a non-executive director of CITIC Resources Holdings Limited (listed on the Stock Exchange) with effect from 18 September 2013. He also previously served as the managing director of CITIC Australia Group and a director and vice president of CITIC Australia Pty. Ltd. and the deputy division chief of the overseas investment department of China International Trust and Investment Corporation.

EXECUTIVE DIRECTORS

Yip Moon Tong *Chief Executive Officer*

Aged 61, an Executive Director since July 2007, is the Chief Executive Officer of DCH. He joined Dah Chong Hong, Limited ("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 60, an Executive Director since July 2007. Mr Lau is the executive-in-charge of the motor and motor related business in the PRC, currently managing over 70 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.

Glenn Robert Sturrock Smith

Aged 61, 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 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.

Directors and Senior Management

Wai King Fai, Francis *Chief Financial Officer*

Aged 54, an Executive Director since January 2010. Mr Wai is the Chief Financial Officer of DCH 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 45, 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 Daye Special Steel Co., Ltd. (a fellow subsidiary of DCH listed on the Shenzhen Stock Exchange) and certain member companies of CITIC Pacific involved in special steel, iron ore mining, PRC property and infrastructure businesses. He is in charge of the business development and group human resources and administration of CITIC Pacific. He was an executive director of CITIC Pacific and a non-executive director of CITIC Telecom International Holdings Limited ("CITIC Telecom", listed on the Stock Exchange).

Fei Yiping

Aged 50, 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, a director of Companhia de Telecomunicações de Macau, S.A.R.L. and CITIC Pacific China Holdings Limited. He has over 14 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 68, 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 ("BEA China"), which is a wholly-owned PRC subsidiary of BEA.

Hsu Hsung, Adolf

Aged 75, an Independent Non-executive Director since September 2007. Mr Hsu also serves as the 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).

Directors and Senior Management

Yeung Yue Man

Aged 75, 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 67, an Independent Non-executive Director since 31 December 2012. Mr Chan is a senior advisor of BEA, the vice chairman of BEA China 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

Tsoi Tai Kwan, Arthur

Aged 65, is the Senior Corporate Director of the Group and 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 was also an Executive Director of DCH. Mr Tsoi has over 30 years experience in food trading in Hong Kong.

Lo Kai Sing, Paul

Aged 58, 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 55, is a Senior Corporate Director of the Group and the executive-in-charge of the renowned motor brands such as Audi, Bentley, Honda, Nissan, Infiniti and MAN in Hong Kong. Mr Got joined the Group in January 1999. He has more than 20 years experience in the motor industry.

Directors and Senior Management

Lee Tak Wah

Aged 49, is a Senior Corporate Director of the Group and the executive-in-charge of the management of the motor aftersale services and motor related business in the PRC and 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 62, 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 51, 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 53, 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 52, 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.

Hui Kwong Lok

Aged 57, 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.

Kok Yew Kong

Aged 54, is a Corporate Director of the Group and the National Head of Regional Operations. Mr Kok is primarily responsible for implementing the China food regionalisation strategy in building the regional organisation and leading this new organisation in growing the business in China. He joined the Group in November 2006 and has over 30 years experience in marketing and sales.

Directors and Senior Management

Lee Kai Yeung

Aged 57, is a Corporate Director of the Group and the executive-in-charge of food trading, retail and processing businesses in Hong Kong. Mr Lee joined the Group in October 1978 and has more than 30 years experience in food trading in Hong Kong.

Poon Lin Sing

Aged 47, is a Corporate Director and Head of Finance — Motor of the Group and is primarily responsible for all financial matters of motor and motor related business in the PRC, Hong Kong and Taiwan. He joined the Group in August 1996 and has over 20 years experience in finance and accounting profession.

Zhou Jiajun

Aged 59, is a Corporate Director and National Head of China Food Brand Management of the Group and is primarily responsible for leading the integration of agent brand business and self-owned brand development of food business in the PRC and the overall management of Goodwell China Marketing Service Co., Ltd. and Shanghai Sunny Life Enterprise. He joined the Group in November 2008 and has over 20 years experience in promotion and marketing for high-end brands of food business.

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 2013.

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 36 to the financial statements.

DIVIDENDS

The Directors declared an interim dividend of 8.68 HK cents (2012: 11.78 HK cents) per share in respect of the year ended 31 December 2013 which was paid on 18 September 2013. The Directors recommended, subject to the approval of the shareholders at the forthcoming annual general meeting, the payment of a final dividend of 10.72 HK cents (2012: 8.88 HK cents) per share in respect of the year ended 31 December 2013 payable on 6 June 2014 to shareholders on the register of members at the close of business on 21 May 2014.

FINANCIAL STATEMENTS

The profit of DCH and its subsidiaries (together the "Group") for the year ended 31 December 2013 and the state of DCH's and the Group's affairs as at that date are set out in the financial statements on pages 81 to 158.

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$2.8 million (2012: HK$1.5 million).

FIXED ASSETS

Details of the movements of fixed assets during the year are set out in note 13 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	
	2013	2012
The largest supplier	**15.3%**	11.0%
Five largest suppliers in aggregate	**41.7%**	40.8%

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 2013 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 Glenn Robert Sturrock Smith
Mr Wai King Fai, Francis
Mr Tsoi Tai Kwan, Arthur (resigned with effect from 1 January 2014)

Non-executive Directors

Mr Zhang Jijing (appointed with effect from 1 January 2014)
Mr Hui Ying Bun (retired with effect from 1 January 2014)
Mr Kwok Man Leung
Mr Fei Yiping

Independent non-executive Directors

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

Biographical details of the Directors are set out on pages 57 to 59 of the 2013 Annual Report.

In accordance with Article 95 of the Articles of Association of DCH, Mr Zhang Jijing 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 Articles of Association of DCH, Mr Yip Moon Tong, Mr Hsu Hsung, Adolf and Professor Yeung Yue Man 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", the 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 2013 were HK$9.9 million (2012: HK$9.0 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 of Hong Kong Limited (the "Stock Exchange") and CITIC Pacific and / or its associates are regarded as a controlling shareholder of DCH under the Rules Governing the Listing of Securities on the Stock Exchange (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 the sections "Connected Transaction" and "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 2013.

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 34 to the financial statements. Some of these transactions also constitute "Connected Transaction" or "Continuing Connected Transactions" under the Listing Rules as summarised below.

CONNECTED TRANSACTION

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

On 24 September 2013, Dah Chong Hong, Limited ("DCHL", a wholly owned subsidiary of DCH) entered into an acquisition agreement with Golden Crest Company Ltd. ("Golden Crest", a direct wholly owned subsidiary of CITIC Pacific), pursuant to which DCHL agreed to acquire the entire issued share capital of Gold Essence Holdings Corp. ("Gold Essence", an indirect wholly owned subsidiary of CITIC Pacific) from Golden Crest at the consideration of HK$43,814,111 (the "Acquisition"). Gold Essence holds 100% interest in Dah Chong Hong (Engineering) Limited ("DCH Engineering"). DCH Engineering is principally engaged in the provision of engineering and repairs and maintenance services.

Upon completion of the Acquisition, Gold Essence and DCH Engineering have become indirect wholly owned subsidiaries of DCH. As DCH is an indirect subsidiary of CITIC Pacific, Gold Essence and DCH Engineering also continue to be indirect subsidiaries of CITIC Pacific.

The Acquisition would create a better business platform for engineering and contracting related businesses such as the development of electrical appliances project business and other related repairs and maintenance services of the Group.

As Golden Crest is a direct wholly owned subsidiary of CITIC Pacific, the controlling shareholder of DCH, Golden Crest is a connected person of DCH and the Acquisition constituted a connected transaction of DCH under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

During 2013, 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 31 May 2012, DCH entered into tenancy agreements in respect of the following properties (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 2012 to 31 May 2015. Details of these tenancies are as follows:

Location	**Monthly Rental** HK$	**Term**
7/F–12/F CITIC Telecom Tower, 93 Kwai Fuk Road, Kwai Chung, New Territories, Hong Kong	787,290.00 843,525.00 1,068,465.00	1.6.2012 – 31.5.2013 1.6.2013 – 31.5.2014 1.6.2014 – 31.5.2015
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	1,440,877.50 1,600,975.00 2,241,365.00	1.6.2012 – 31.5.2013 1.6.2013 – 31.5.2014 1.6.2014 – 31.5.2015
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	318,700.00	1.6.2012 – 31.5.2015
G/F, Portion of 1/F, Units 1A, 1B and 1C on 1/F, 2/F, 7/F (storeroom), Portion of 8/F and Unit C on 12/F of No. 111 Lee Nam Road, Ap Lei Chau, Hong Kong (Note)	1,249,069.05 1,306,216.00 1,505,413.94	1.6.2012 – 31.5.2013 1.6.2013 – 31.5.2014 1.6.2014 – 31.5.2015
DCH Building, No. 20 Kai Cheung Road, Kowloon, Hong Kong	9,165,953.76	1.6.2012 – 31.5.2015

Note: The 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.

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 Tenancy Agreements for the financial years ended 31 December 2013 and ending 31 December 2014 and 2015 is approximately HK$178.1 million, HK$196.3 million and HK$84.4 million, respectively. The aggregate amount paid by the Group to the relevant landlords under the Tenancy Agreements during the year was approximately HK$160.9 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 constituted continuing connected transactions of DCH.

2. 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 had a term of 1 year commenced on 8 March 2012 and expired on 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 Hing Lung ("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.

3. The guarantee arrangement in respect of a revolving bank acceptance draft facility of up to RMB20.0 million granted by China CITIC Bank to 廣州駿龍汽車有限公司 (Guangzhou Junlong Motors Limited) ("Guangzhou Junlong")

On 19 October 2012, Guangzhou Junlong (a company accounted for as a non-wholly owned subsidiary of DCH) 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 had a term of 1 year commenced on 19 October 2012 and expired on 19 October 2013, under which 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 RMB20M Bank Acceptance Draft Facility, (i) Guangzhou Junlong was required to maintain a cash balance of up to 20% of the maximum amount of the RMB20M 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 Junlong was further required to provide a pledge of motor vehicles in favour of China CITIC Bank to secure any outstanding sum under the RMB20M Bank Acceptance Draft Facility from time to time; and (iii) Mr Mak (the ultimate beneficiary of the other 50% economic interest in Guangzhou Junlong) had provided a guarantee in the amount of RMB20.0 million (equivalent to approximately HK$24.6 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 RMB20M Bank Acceptance Draft Facility constituted continuing connected transactions for DCH.

DSE had provided a back-to-back indemnity in favour of Mr Mak for an amount of RMB10.0 million (equivalent to approximately HK$12.3 million) to cover 50% of Mr Mak's exposure under his guarantee in support of the 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 66 to 68 of the 2013 Annual Report in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditors' letter will be 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 2013 are set out below:

	Name of OPCO	Date of establishment of OPCO	Registered capital (Note xiv) RMB million	Name of Registered Owner(s) / owner(s) and shareholding	Amount of loan advanced under the Contractual Arrangements Agreement(s) RMB million	Name of OPCO Interest Beneficiary (Note xv)	Group's attributable interests
1	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%
2	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%
3	江門慎昌貿易有限公司 (Sims Trading (Jiangmen) Company Limited)	20.5.2003	20 (Note i)	DCH Logistics Company Limited (100%) (Note i)	–	–	100%
4	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%
5	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	湛江市駿浩汽車有限公司 Zhanjiang Junhao Motors Limited (100%) (Note ii)	–	–	100%
6	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%

	Name of OPCO	Date of establishment of OPCO	Registered capital (Note xiv) RMB million	Name of Registered Owner(s) / owner(s) and shareholding	Amount of loan advanced under the Contractual Arrangements Agreement(s) RMB million	Name of OPCO Interest Beneficiary (Note xv)	Group's attributable interests
7	廣州合駿汽車貿易有限公司 (Guangzhou Hejun Motors Trading Limited)	18.8.2000	10	湛江市駿凱汽車技術服務有限公司 (Zhanjiang Junkai Motors Technology and Service Limited) (100%) (Note iii)	–	–	100%
8	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	Triangle Motors (Macau) Limited (Note iv)	50%
9	福州合創汽車貿易有限公司 (Fuzhou Hechuang Motors Trading Limited)	21.4.2004	10	合眾汽車銷售服務(中國)有限公司 Triangle Motor Sales And Services (China) Co., Ltd. (100%) (Note v)	–	–	100%
10	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	廣州市信昌信息科技有限公司 (Guangzhou XinChang Information Technology Ltd.) (100%) (Note vi)	–	–	100%
11	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) (100%) (Note vii)	–	–	49% (Note viii)
12	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 ix)
13	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%)	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 viii)
				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%)	–		

Name of OPCO	Date of establishment of OPCO	Registered capital (Note xiv) RMB million	Name of Registered Owner(s) / owner(s) and shareholding	Amount of loan advanced under the Contractual Arrangements Agreement(s) RMB million	Name of OPCO Interest Beneficiary (Note xv)	Group's attributable interests
14 茂名市大昌行駿昇汽車銷售服務有限公司 (MaoMing Dah Chong Hong Junsheng Motors Sale and Service Limited)	14.3.2008	10	湛江市駿凱汽車技術服務有限公司 (Zhanjiang Junkai Motors Technology and Service Limited) (80%) 廣東日產汽車貿易有限公司 (Guangdong Nissan Motor Trading Co., Ltd.) (20%) (Note x)	– 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%
15 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	深圳市深業實業有限公司 (Shenzhen Shenye Shiye Limited) (100%) (Note xi)	–	–	100%
16 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 viii)
17 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	合眾汽車銷售服務(中國)有限公司 Triangle Motor Sales And Services (China) Co., Ltd. (100%) (Note xii)	–	–	100%
18 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	上海眾諾汽車銷售服務有限公司 (Shanghai Zhongnuo Motors Sale and Service Limited) (80%) 深圳市深業實業有限公司 (Shenzhen Shenye Shiye Limited) (20%) (Note xiii)	– –	–	100%
19 合肥眾賓汽車銷售服務有限公司 (Hefei Zhongbin Motors Sale and Service Limited)	17.09.2013	1	閻文環 (Yan Wenhuan) (50%) 黃斐 (Huang Fei) (50%)	0.5 0.5	Triangle Motors (China) Limited	100%

Notes:

i. During the year, the registered capital was increased from RMB10 million to RMB20 million and Registered Owners were changed from 鄧建良 (Deng Jianliang) (90%) and 張江長 (Zhang Jiangchang) (10%) to DCH Logistics Company Limited (100%), nominated by Sims (China) Limited. Since then, the Contractual Arrangements ceased to apply to this subsidiary as it was no longer an OPCO.

ii. Registered Owners were changed from 仲玉林 (Zhong Yulin) (50%) and 蔡兆敏 (Cai Zhaomin) (50%) to 湛江市駿浩汽車有限公司 (Zhanjiang Junhao Motors 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. Registered Owners were changed from 程濟美 (Cheng Jimei) (56.50%) and 仲玉林 (Zhong Yulin) (33.50%) to 湛江市駿凱汽車技術服務有限公司 (Zhanjiang Junkai Motors Technology and Service Limited) (90%), 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.

iv. Dah Chong Hong Motors (Nissan-China) Limited changed its name to Triangle Motors (Macau) Limited during the year.

v. Registered Owners were changed from 蔡兆敏 (Cai Zhaomin) (80%) and 仲玉林 (Zhong Yulin) (20%) to 合眾汽車銷售服務(中國)有限公司 Triangle Motor Sales And Services (China) Co., Ltd. (100%), nominated by Reliance Motors, Limited, during the year. Since then, the Contractual Arrangements ceased to apply to this subsidiary as it was no longer an OPCO.

vi. Registered Owners were changed from 上海宏圖電器有限公司 (Shanghai Vision Electrical Appliances Co., Ltd.) (90%) and 鄧建良 (Deng Jianliang) (10%) to 廣州市信昌信息科技有限公司 (Guangzhou XinChang Information Technology Ltd.) (100%), nominated by DCH Supply Chain Management Company Limited, during the year. Since then, the Contractual Arrangements ceased to apply to this subsidiary as it was no longer an OPCO.

vii. Registered Owner was changed from 盧敏燕 (Lu Minyan) (1%) 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) (1%) during the year. Since then, the Contractual Arrangement ceased to apply to this subsidiary as it was no longer an OPCO.

viii. 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.

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

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 雲南聯慶汽車銷售服務有限公司 (Yunnan Lianqing Motors Sale and Service Limited) (100%) to 深圳市深業實業有限公司 (Shenzhen Shenye Shiye Limited) (100%), nominated by 昆明大昌行管理咨詢有限公司 (Kunming Dah Chong Hong Management and Consulting Limited), during the year. Since then, the Contractual Arrangement ceased to apply to this subsidiary as it was no longer an OPCO.

xii. 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.

xiii. 深圳市深業實業有限公司 (Shenzhen Shenye Shiye Limited) (20%), the Registered Owner, purchased 20% beneficial equity interest from 上海眾諾汽車銷售服務有限公司 (Shanghai Zhongnuo Motors Sale and Service Limited) during the year. Since then, the Contractual Arrangement ceased to apply to this subsidiary as it was no longer an OPCO.

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

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

xvi. 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 2013 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 will be provided by DCH to the Stock Exchange.

SHARE OPTION SCHEME

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

a. The purpose of the 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 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 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 20 February 2014, the maximum number of shares available for issue under the Scheme is 132,750,000, representing approximately 7.25% of the issued share capital of DCH. Share options lapsed in accordance with the terms of the 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 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 Scheme shall be valid and effective till 27 September 2017, after which no further share options will be granted.

Since the adoption of the 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 1.5 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 3.4 years.

During the year ended 31 December 2013, none of the share options under the Scheme were cancelled, 400,000 share options have lapsed, and 2,250,000 share options were exercised.

A summary of the movements of the share options under the Scheme during the year ended 31 December 2013 is as follows:

1. DCH Directors

				Number of share options					
Name of Director	Date of grant	Exercise period	Exercise price per share HK$	Balance as at 1.1.2013	Granted during the year ended 31.12.2013	Lapsed / cancelled during the year ended 31.12.2013	Exercised during the year ended 31.12.2013	Balance as at 31.12.2013	Approximate percentage to the issued share capital
Hui Ying Bun (Note i)	7.7.2010	7.7.2010 – 6.7.2015	4.766	1,800,000	–	–	1,000,000	800,000	0.044%
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				3,250,000	0.177%
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 (Note ii)	8.6.2012	8.6.2013 – 7.6.2017	7.400	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	–	–	550,000	550,000	
	8.6.2012	8.6.2013 – 7.6.2017	7.400	1,100,000	–	–	–	1,100,000	
				2,200,000				1,650,000	0.090%
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				1,700,000	0.093%

Notes:

(i) Mr Hui Ying Bun retired with effect from 1 January 2014.

(ii) Mr Tsoi Tai Kwan, Arthur resigned with effect from 1 January 2014.

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

			Number of share options					
Date of grant	Exercise period	Exercise price per share HK$	Balance as at 1.1.2013	Granted during the year ended 31.12.2013	Lapsed / cancelled during the year ended 31.12.2013	Exercised during the year ended 31.12.2013	Balance as at 31.12.2013	Approximate percentage to the issued share capital
7.7.2010	7.7.2010 – 6.7.2015	4.766	3,140,000	–	–	600,000	2,540,000	0.139%
8.6.2012	8.6.2013 – 7.6.2017	7.400	17,100,000	–	400,000	–	16,700,000	0.912%

3. Others

			Number of share options					
Date of grant	Exercise period	Exercise price per share HK$	Balance as at 1.1.2013	Granted during the year ended 31.12.2013	Lapsed / cancelled during the year ended 31.12.2013	Exercised during the year ended 31.12.2013	Balance as at 31.12.2013	Approximate percentage to the issued share capital
8.6.2012	8.6.2013 – 7.6.2017	7.400	800,000 (Note)	–	–	100,000	700,000	0.038%

Note: These are in respect of share options granted to former employees who have subsequently retired.

The weighted average closing price of the shares of DCH immediately before the dates on which the share options granted on 7 July 2010 and 8 June 2012 were exercised was HK$7.14 and HK$8.99 respectively.

UPDATE ON DIRECTORS' INFORMATION

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

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 2014 HK$**	Monthly salary commencing in January 2013 HK$
Yip Moon Tong	**368,000**	350,000
Lau Sei Keung	**246,000**	235,000
Tsoi Tai Kwan, Arthur (Note iv)	**–**	200,000
Glenn Robert Sturrock Smith	**210,000**	200,000
Wai King Fai, Francis	**230,000**	220,000

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 2014.

(iii) For information regarding the full details of Directors' remuneration for the year ended 31 December 2013, please refer to note 8 to the financial statements.

(iv) Mr Tsoi Tai Kwan, Arthur resigned with effect from 1 January 2014.

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 2013 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 *(Note i)*	1,000,000	0.055%
Yip Moon Tong	1,300,000 *(Note ii)*	0.071%
Lau Sei Keung	180,000	0.010%
Tsoi Tai Kwan, Arthur *(Note iii)*	138,000	0.008%
Glenn Robert Sturrock Smith	50,000	0.003%
Wai King Fai, Francis	100,000	0.005%

Notes:

(i) Mr Hui Ying Bun retired with effect from 1 January 2014.

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

(iii) Mr Tsoi Tai Kwan, Arthur resigned with effect from 1 January 2014.

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 *(Note i)*	837,000	0.02293%
Lau Sei Keung	1,000	0.00003%
Tsoi Tai Kwan, Arthur *(Note ii)*	18,000	0.00049%

Notes:

(i) Mr Hui Ying Bun retired with effect from 1 January 2014.

(ii) Mr Tsoi Tai Kwan, Arthur resigned with effect from 1 January 2014.

(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	0.005%

(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 Scheme.

4. Share Options in Associated Corporation

CITIC Pacific Limited

				Number of share options					
Name of Director	Date of grant	Exercise period	Exercise price per share HK$	Balance as at 1.1.2013	Granted during the year ended 31.12.2013	Lapsed / cancelled during the year ended 31.12.2013	Exercised during the year ended 31.12.2013	Balance as at 31.12.2013	Approximate percentage to the issued share capital
Kwok Man Leung	19.11.2009	19.11.2009 – 18.11.2014	22.00	500,000	–	–	–	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 2013, 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 2013, 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)	56.08% (L)
CITIC Limited	1,027,307,000 (L)	56.08% (L)
CITIC Pacific Limited	1,018,800,000 (L)	55.61% (L)
Davenmore Limited	1,018,800,000 (L)	55.61% (L)
Colton Pacific Limited	800,922,200 (L)	43.72% (L)
Chadacre Developments Limited	245,102,000 (L)	13.38% (L)
Ascari Holdings Ltd.	217,877,800 (L)	11.89% (L)
Cornaldi Enterprises Limited	95,317,400 (L)	5.20% (L)
JPMorgan Chase & Co.	122,633,836 (L) 2,516,496 (S) 84,136,990 (P)	6.69% (L) 0.14% (S) 4.59% (P)
Schroders Plc	146,516,000 (L)	8.00% (L)

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 2013. Neither DCH nor any of its subsidiary companies has purchased or sold any of DCH's shares during the year ended 31 December 2013.

SERVICE CONTRACTS

As at 31 December 2013, 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 2013.

By order of the Board
Zhang Jijing *Chairman*
Hong Kong, 20 February 2014

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 81 to 158, which comprise the consolidated and Company balance sheets as at 31 December 2013, 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 2013 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
20 February 2014

Consolidated Income Statement

For the year ended 31 December 2013

HK$ million	Note	**2013**	2012
Turnover	3	**42,261**	48,014
Cost of sales		**(37,389)**	(42,411)
Gross profit		**4,872**	5,603
Other income	5	**821**	663
Selling and distribution expenses		**(2,549)**	(2,752)
Administrative expenses		**(1,693)**	(1,739)
Profit from operations		**1,451**	1,775
Net gain on remeasurement of an investment property reclassified as asset held for sale	6(d)	**12**	78
Net gain on remeasurement of other investment properties	13(a)	**19**	43
Reversal of impairment losses / (impairment losses)	6(c)	**2**	(55)
Finance costs	6(a)	**(234)**	(326)
Share of profit / (loss) after tax of associates	18	**11**	(1)
Share of profit after tax of joint ventures	19	**13**	12
Profit before taxation	6	**1,274**	1,526
Income tax	7	**(340)**	(516)
Profit for the year		**934**	1,010
Attributable to:			
Shareholders of the Company		**901**	1,045
Non-controlling interests		**33**	(35)
		934	1,010
Basic earnings per share (HK cents)	12(a)	**49.21**	57.24
Diluted earnings per share (HK cents)	12(b)	**49.15**	57.06

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

HK$ million	Note	2013	2012
Profit for the year		**934**	1,010
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of entities outside Hong Kong			
- subsidiaries		**39**	(11)
- associates and joint ventures		**10**	3
Items that will not be reclassified subsequently to profit or loss:			
Revaluation gain recognised upon transfer from property held for own use to investment property	13(d)	**17**	-
Other comprehensive income for the year, net of tax		**66**	(8)
Total comprehensive income for the year		**1,000**	1,002
Attributable to:			
Shareholders of the Company		**956**	1,032
Non-controlling interests		**44**	(30)
		1,000	1,002

Consolidated Balance Sheet

At 31 December 2013

HK$ million	Note	**2013**	2012
Non-current assets			
Fixed assets	13(a)		
- Property, plant and equipment		**3,798**	3,358
- Investment properties		**366**	565
		4,164	3,923
Lease prepayments	14	**537**	491
Intangible assets	15	**720**	670
Goodwill	16	**356**	344
Interests in associates	18	**224**	236
Interests in joint ventures	19	**426**	254
Available-for-sale investments	20	**8**	8
Deferred tax assets	27(a)	**30**	108
		6,465	6,034
Current assets			
Inventories	21(a)	**6,259**	5,536
Assets held for sale	22	**162**	-
Trade and other receivables	23	**6,483**	5,464
Current tax recoverable		**84**	47
Cash and bank deposits	24	**2,173**	3,225
		15,161	14,272
Current liabilities			
Borrowings	25	**5,608**	3,471
Trade and other payables	26	**4,465**	4,556
Current tax payable		**121**	191
		10,194	8,218
Net current assets		**4,967**	6,054
Total assets less current liabilities		**11,432**	12,088
Non-current liabilities			
Borrowings	25	**1,816**	2,938
Deferred tax liabilities	27(a)	**243**	246
		2,059	3,184
Net assets		**9,373**	8,904

Consolidated Balance Sheet (continued)

At 31 December 2013

HK$ million	Note	**2013**	2012
Capital and reserves	28		
Share capital		**275**	274
Reserves		**8,719**	8,237
Total equity attributable to shareholders of the Company		**8,994**	8,511
Non-controlling interests		**379**	393
Total equity		**9,373**	8,904

Approved and authorised for issue by the board of directors on 20 February 2014.

Zhang Jijing
Director

Yip Moon Tong
Director

Balance Sheet

At 31 December 2013

HK$ million	Note	**2013**	2012
Non-current assets			
Investment property	13(b)	**-**	196
Interests in subsidiaries	17	**5,608**	5,133
		5,608	5,329
Current assets			
Trade and other receivables	23	**2,210**	1,426
Cash and bank deposits	24	**16**	144
		2,226	1,570
Current liabilities			
Borrowings	25(a)	**1,788**	475
Trade and other payables	26	**217**	166
Current tax payable		**-**	1
		2,005	642
Net current assets		**221**	928
Total assets less current liabilities		**5,829**	6,257
Non-current liabilities			
Borrowings	25(a)	**1,814**	2,933
Deferred tax liabilities	27(a)	**-**	1
		1,814	2,934
Net assets		**4,015**	3,323
Capital and reserves	28		
Share capital		**275**	274
Reserves		**3,740**	3,049
Total equity		**4,015**	3,323

Approved and authorised for issue by the board of directors on 20 February 2014.

Zhang Jijing
Director

Yip Moon Tong
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

HK$ million	Note	Attributable to shareholders of the Company											Non-controlling interests	Total equity
		Share capital (28(a))	Share premium (28(b))	General reserve (28(c))	Capital reserve (28(d))	Statutory surplus reserve (28(e))	Merger reserve (28(f))	Share option reserve (28(g))	Exchange fluctuation reserve (28(h))	Asset revaluation reserve (28(i))	Retained profits	Total		
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		-	-	(46)	-	-	-	-	-	-	-	(46)	(129)	(175)
Non-controlling interest arising from acquisition of a subsidiary		-	-	-	-	-	-	-	-	-	-	-	23	23
Share-based payments	6(b)	-	-	-	-	-	-	18	-	-	-	18	-	18
Exercise of share options		1	56	-	-	-	-	(12)	-	-	-	45	-	45
Transfer from retained profits		-	-	9	-	4	-	-	-	-	(13)	-	-	-
Dividends	11	-	-	-	-	-	-	-	-	-	(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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

HK$ million	Note	Attributable to shareholders of the Company												
		Share capital (28(a))	Share premium (28(b))	General reserve (28(c))	Capital reserve (28(d))	Statutory surplus reserve (28(e))	Merger reserve (28(f))	Share option reserve (28(g))	Exchange fluctuation reserve (28(h))	Asset revaluation reserve (28(i))	Retained profits	Total	Non-controlling interests	Total equity
At 1 January 2013		**274**	**1,188**	**247**	**143**	**68**	**1**	**29**	**838**	**2**	**5,721**	**8,511**	**393**	**8,904**
Profit for the year		-	-	-	-	-	-	-	-	-	901	901	33	934
Other comprehensive income		-	-	-	-	-	-	-	38	17	-	55	11	66
Total comprehensive income for the year		-	-	-	-	-	-	-	38	17	901	956	44	1,000
Non-controlling interests arising from acquisition of subsidiaries	30	-	-	-	-	-	-	-	-	-	-	-	12	12
Acquisitions of non-controlling interests		-	-	(184)	-	1	-	-	-	-	-	(183)	(35)	(218)
Acquisition of subsidiaries under common control	30(c)	-	-	-	-	-	(44)	-	-	-	42	(2)	-	(2)
Disposal of a subsidiary		-	-	-	-	-	-	-	-	-	-	-	(4)	(4)
Share-based payments	6(b)	-	-	-	-	-	-	21	-	-	-	21	-	21
Exercise of share options		1	14	-	-	-	-	(3)	-	-	-	12	-	12
Transfer (to) / from retained profits		-	-	(116)	-	10	-	-	-	-	106	-	-	-
Dividends	11	-	-	-	-	-	-	-	-	-	(321)	(321)	-	(321)
Dividends to holders of non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	(31)	(31)
At 31 December 2013		**275**	**1,202**	**(53)**	**143**	**79**	**(43)**	**47**	**876**	**19**	**6,449**	**8,994**	**379**	**9,373**

Statement of Changes in Equity

For the year ended 31 December 2013

HK$ million	Note	Share capital (28(a))	Share premium (28(b))	Share option reserve (28(g))	Retained profits (28(j))	Total
At 1 January 2012		273	1,132	23	1,366	2,794
Total comprehensive income for the year		-	-	-	913	913
Share-based payments		-	-	18	-	18
Exercise of share options		1	56	(12)	-	45
Dividends	11	-	-	-	(447)	(447)
At 31 December 2012		274	1,188	29	1,832	3,323
At 1 January 2013		**274**	**1,188**	**29**	**1,832**	**3,323**
Total comprehensive income for the year		**-**	**-**	**-**	**980**	**980**
Share-based payments		**-**	**-**	**21**	**-**	**21**
Exercise of share options		**1**	**14**	**(3)**	**-**	**12**
Dividends	11	**-**	**-**	**-**	**(321)**	**(321)**
At 31 December 2013		**275**	**1,202**	**47**	**2,491**	**4,015**

Consolidated Cash Flow Statement

For the year ended 31 December 2013

HK$ million	Note	**2013**	2012
Operating activities			
Profit before taxation		**1,274**	1,526
Adjustments for			
- Net gain on remeasurement of an investment property reclassified as asset held for sale		**(12)**	(78)
- Net gain on remeasurement of other investment properties		**(19)**	(43)
- Depreciation and amortisation		**566**	510
- (Reversal of impairment losses) / impairment losses		**(2)**	55
- Finance costs		**234**	326
- Interest income		**(19)**	(33)
- Share of (profit) / loss after tax of associates		**(11)**	1
- Share of profit after tax of joint ventures		**(13)**	(12)
- Net (gain) / loss on disposal of fixed assets		**(6)**	4
- Net gain on disposal of subsidiaries		**(3)**	-
- Net loss on disposal of joint ventures		**-**	4
- Share-based payments		**21**	18
- Net fair value gain on foreign currency forward contracts		**(2)**	(57)
- Foreign exchange gain		**(41)**	(5)
Operating profit before changes in working capital		**1,967**	2,216
(Increase) / decrease in inventories		**(599)**	598
(Increase) / decrease in trade and other receivables		**(1,186)**	497
Decrease in trade and other payables		**(307)**	(1,503)
Cash (used in) / generated from operations		**(125)**	1,808
Income tax paid		**(387)**	(555)
Net cash (used in) / generated from operating activities		**(512)**	1,253

Consolidated Cash Flow Statement (continued)

For the year ended 31 December 2013

HK$ million	Note	**2013**	2012
Investing activities			
Payment for purchase of fixed assets		**(1,036)**	(980)
Payment for lease prepayments		**(18)**	(116)
Proceeds from disposal of fixed assets		**305**	559
Proceeds from disposal of lease prepayments		**4**	-
Proceeds from disposal of joint ventures		**-**	1
Capital injection to associates		**(15)**	(9)
Capital injection to joint ventures		**-**	(5)
Advance and repayment to associates		**(5)**	-
Advance and repayment from associates		**1**	1
Advance and repayment to joint ventures		**(27)**	(3,144)
Advance and repayment from joint ventures		**190**	2,949
Loan repayment from a holder of non-controlling interests		**-**	111
Net cash (outflow) / inflow for acquisitions of subsidiaries	30(a)	**(269)**	18
Net cash outflow for disposal of subsidiaries		**(3)**	-
Net cash outflow for acquisition of subsidiaries under common control		**(8)**	-
Interest received		**19**	37
Dividends received from joint ventures		**2**	2
Dividends received from associates		**-**	9
Decrease in deposits with banks		**12**	213
Net cash used in investing activities		**(848)**	(354)
Financing activities			
Proceeds from bank and other loans drawdown		**14,623**	19,096
Repayment of bank and other loans		**(13,640)**	(18,470)
Net cash used in acquisition of non-controlling interests		**(146)**	(169)
Advance and repayment to holders of non-controlling interests		**(15)**	(64)
Advance and repayment from holders of non-controlling interests		**55**	59
Interest paid		**(234)**	(326)
Dividends paid to shareholders of the Company		**(321)**	(447)
Dividends paid to holders of non-controlling interests		**(31)**	(45)
Proceeds from shares issued under share option scheme		**12**	45
Net cash generated from / (used in) financing activities		**303**	(321)
Net (decrease) / increase in cash and cash equivalents		**(1,057)**	578
Cash and cash equivalents at 1 January		**2,951**	2,375
Effect of foreign exchange rates changes		**13**	(2)
Cash and cash equivalents at 31 December	24	**1,907**	2,951

Notes to the Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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").

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 2.

(b) Changes in accounting policies

(i) New and revised HKFRSs which are effective

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

– *Amendments to HKAS 1, Presentation of financial statements – Presentation of items of other comprehensive income*

The amendments require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future separately from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in these financial statements has been modified accordingly.

– *HKFRS 10, Consolidated financial statements*

HKFRS 10 introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, with exposure or rights to variable returns from its involvement with the investee and the ability to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not have any financial impact on the Group as all subsidiaries within the Group satisfy the requirements for control under HKFRS 10.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Changes in accounting policies (continued)

(i) New and revised HKFRSs which are effective (continued)

– *HKFRS 11, Joint arrangements*

HKFRS 11 divides joint arrangements into joint operations and joint ventures. Determining the classification of an arrangement required the consideration of the structure, legal form, contractual terms and other facts and circumstances relevant to its rights and obligations under the arrangement. Joint arrangements which are classified as joint operations are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements which are classified as joint ventures are required to be accounted for using the equity method in the Group's consolidated financial statements.

As a result of the adoption of HKFRS 11, the Group has changed its accounting policy with respect to its interests in joint arrangements. The Group has reclassified the investments from jointly controlled entities to joint ventures. The investments in joint ventures continue to be accounted for using the equity method and therefore this reclassification does not have any impact on the Group's results of operations and financial position.

– *HKFRS 12, Disclosure of interests in other entities*

HKFRS 12 specifies the disclosure requirements for interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The adoption of HKFRS 12 only affects the disclosures relating to associates and joint ventures in these consolidated financial statements and no material associates, joint ventures and non-controlling interests have been identified which require disclosure in these consolidated financial statements.

– *HKFRS 13, Fair value measurement*

HKFRS 13 establishes a single source of fair value measurement guidance and enhances disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

(ii) New and revised HKFRSs issued but not yet effective

Up to the date of issue of these financial statements, the HKICPA has issued new and revised HKFRSs which are not yet effective for the current accounting year. The Group has not early adopted them for the year ended 31 December 2013.

The Group has made an assessment of the impact of these new and revised HKFRSs 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:

– *HKFRS 9, Financial Instruments*

– *Amendments to HKAS 36, Impairment of assets – Recoverable amount disclosures for non-financial assets*

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Intra-group balances, transactions and any unrealised profits and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated 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 and consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income 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 the non-controlling interests' proportionate share of the acquired subsidiary's net identifiable assets.

Changes in the Group's equity interest 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) are made directly in general reserve to reflect the changes in relative interests. No goodwill or 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 investment in an associate or a joint venture.

In the Company's balance sheet, investments in subsidiaries are stated at cost less impairment losses.

(d) Associates and joint ventures

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 joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture 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. 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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Associates and joint ventures (continued)

When the Group's share of losses exceeds its interest in the associate or the joint venture, 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 joint ventures are eliminated to the extent of the Group's interest in the associate or joint venture, 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 joint venture, 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.

(e) 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.

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.

(f) 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, 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.

(g) Derivative financial instruments

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Investment properties

Investment properties are land and / or buildings which are owned and held 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.

(i) Property, plant and equipment

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

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.

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 reducing balance method or straight-line method 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.

– 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.

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) 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 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. The amortisation of lease prepayment is capitalised as part of cost of construction of building during the construction period.

(l) 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 asset's original effective interest rate, 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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of assets (continued)

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

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.

(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;

– interests in subsidiaries, associates and joint ventures; and

– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

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. 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.

(m) Inventories

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

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

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

When inventories are sold, the carrying amount of those inventories is recognised as 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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) 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 be measured at fair value.

(o) Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. When the outcome of a construction contract can be estimated reliably, contract costs are recognised as expenses by reference to the stage of completion of the contract at the balance sheet date. When it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the balance sheet date are recorded at the net amount of costs incurred plus recognised profit less recognised loss and progress billings.

(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, 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.

(r) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities, 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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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).

(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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Financial guarantees issued, provisions and contingent liabilities

Financial guarantees are contracts that require the Group or the Company 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.

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.

(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) Maintenance services income

Revenue arising from maintenance services is recognised on a straight-line basis over the respective maintenance periods.

(v) 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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Revenue recognition (continued)

(vi) 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.

(vii) Contract revenue

When the outcome of a construction contract can be estimated reliably, revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of work certified to date for the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

(viii) Commission and rebate income

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

(ix) Subsidy income

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

(x) Dividend income

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

(xi) Interest income

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

(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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 measured.

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.

(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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(ac) Business combination involving entities under common control

A business combination is considered as under common control ("common control combination") if the control is not transitory and, consequently, there was a continuation of the risks and benefits to the controlling party.

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

The consolidated income statement includes the results of each of the consolidating entities since the date of the common control combination.

2. 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 at each balance sheet date. Such valuations are based on certain assumptions (see Note 13(g)), 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.

2. ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(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 assesses the differences between the carrying amount and recoverable amount and makes provision for impairment loss. Any change in the assumptions adopted in calculating the recoverable amount 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. The net realisable value are estimated 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.

(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 are depreciated and amortised on a reducing balance method or straight-line method 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.

3. 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	**2013**	2012
Sales of motor vehicles, motor parts, accessories and motor services	**32,624**	38,611
Sales of food and consumer products	**9,134**	8,908
Logistics services and other related income	**461**	407
Revenue from other business	**42**	88
Total	**42,261**	48,014

4. SEGMENT REPORTING

The Group manages its businesses by business line and geographical location. Following the internal reorganisation and consistent with the way the information is reported internally to the Group's senior executive management for the purposes of resource allocation and performance assessment, the Group has combined the Food and Consumer Products Business segment and the Logistics Business segment during the year ended 31 December 2013 and 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 Singapore and Taiwan.

(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; (iii) trading and distribution of other consumer products; and (iv) provision of a wide range of integrated professional logistics and supply chain management solutions and cold chain management services. The "Other Markets" geographical segment mainly covers business operations in Japan, Singapore and the European markets.

(iii) 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.

As a result of the change in segment reporting, the corresponding comparative figures have been restated to conform to the new presentation.

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 after tax of associates and joint ventures. 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.

4. SEGMENT REPORTING (CONTINUED)

(a) Segment results

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

HK$ million **Year ended 31 December 2013**	**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**	**Other Business**	**Inter-segment elimination**	**Total**
Turnover from external customers	**5,824**	**24,650**	**2,150**	**32,624**	**4,929**	**3,919**	**747**	**9,595**	**42**	**-**	**42,261**
Inter-segment turnover	**3**	**-**	**-**	**3**	**1**	**2**	**-**	**3**	**93**	**(99)**	**-**
Segment Turnover	**5,827**	**24,650**	**2,150**	**32,627**	**4,930**	**3,921**	**747**	**9,598**	**135**	**(99)**	**42,261**
Segment result from operations	**483**	**597**	**104**	**1,184**	**273**	**117**	**(66)**	**324**	**72**	**-**	**1,580**
Share of profit / (loss) after tax of associates	**-**	**(9)**	**-**	**(9)**	**-**	**20**	**-**	**20**	**-**	**-**	**11**
Share of profit after tax of joint ventures	**-**	**6**	**-**	**6**	**3**	**-**	**-**	**3**	**4**	**-**	**13**
Segment profit / (loss) before taxation	**483**	**594**	**104**	**1,181**	**276**	**137**	**(66)**	**347**	**76**	**-**	**1,604**
Segment income tax	**(67)**	**(193)**	**(9)**	**(269)**	**(44)**	**(43)**	**(6)**	**(93)**	**(15)**	**-**	**(377)**
Segment profit / (loss) after taxation	**416**	**401**	**95**	**912**	**232**	**94**	**(72)**	**254**	**61**	**-**	**1,227**

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	Other Business	Inter-segment elimination	Total
Turnover from external customers	4,986	31,959	1,666	38,611	4,680	3,820	815	9,315	88	-	48,014
Inter-segment turnover	2	-	-	2	1	2	-	3	80	(85)	-
Segment Turnover	4,988	31,959	1,666	38,613	4,681	3,822	815	9,318	168	(85)	48,014
Segment result from operations	303	1,046	(10)	1,339	236	115	(50)	301	80	-	1,720
Share of profit / (loss) after tax of associates	-	(11)	-	(11)	-	10	-	10	-	-	(1)
Share of profit / (loss) after tax of joint ventures	6	4	-	10	(1)	(1)	-	(2)	4	-	12
Segment profit / (loss) before taxation	309	1,039	(10)	1,338	235	124	(50)	309	84	-	1,731
Segment income tax	(48)	(365)	(4)	(417)	(38)	(37)	(11)	(86)	(13)	-	(516)
Segment profit / (loss) after taxation	261	674	(14)	921	197	87	(61)	223	71	-	1,215

4. SEGMENT REPORTING (CONTINUED)

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

HK$ million	Note	**2013**	2012
Segment profit after taxation		**1,227**	1,215
Net gain / (loss) on			
- remeasurement of an investment property reclassified as asset held for sale		**12**	78
- remeasurement of other investment properties		**19**	43
- disposal of investment properties	5	**8**	(2)
- disposal of land and buildings held for own use	5	**(5)**	-
Amortisation of fair value adjustments on property, plant and equipment and intangible assets arising from business combinations		**(58)**	(53)
Reversal of impairment losses / (impairment losses) on			
- property, plant and equipment	6(c)	**2**	(34)
- amounts due from joint ventures	6(c)	**-**	(20)
- goodwill and intangible assets	6(c)	**-**	(6)
Net gain on disposal of subsidiaries	5	**3**	-
Net loss on disposal of joint ventures	5	**-**	(4)
Net fair value gain on foreign currency forward contracts	5	**2**	57
Net fair value gain on interest rate swaps and cross currency swap		**1**	-
Share-based payments	6(b)	**(21)**	(18)
Unallocated corporate expenses		**(293)**	(246)
Reconciliation items before taxation		**(330)**	(205)
Tax impact:			
Net tax effect on the above reconciliation items		**37**	-
Reconciliation items net of taxation		**(293)**	(205)
Profit for the year		**934**	1,010

4. SEGMENT REPORTING (CONTINUED)

(c) **Other segment information**

The following table sets out other information by reportable segment:

	Motor and Motor Related Business				Food and Consumer Products Business					
HK$ million Year ended 31 December 2013	**Hong Kong & Macao**	**Mainland China**	**Other Markets**	**Sub-total**	**Hong Kong & Macao**	**Mainland China**	**Other Markets**	**Sub-total**	**Other Business**	**Total**
Segmental depreciation and amortisation	**82**	**258**	**21**	**361**	**41**	**46**	**33**	**120**	**13**	**494**
Segmental interest income	**-**	**42**	**1**	**43**	**-**	**5**	**-**	**5**	**-**	**48**
Segmental interest expense	**2**	**135**	**5**	**142**	**2**	**34**	**6**	**42**	**-**	**184**
Segmental write-down of inventories	**12**	**48**	**8**	**68**	**1**	**10**	**3**	**14**	**-**	**82**
Segmental reversal of write-down of inventories	**4**	**82**	**8**	**94**	**4**	**4**	**2**	**10**	**-**	**104**

	Motor and Motor Related Business				Food and Consumer Products Business					
HK$ million Year ended 31 December 2012	Hong Kong & Macao	Mainland China	Other Markets	Sub-total	Hong Kong & Macao	Mainland China	Other Markets	Sub-total	Other Business	Total
Segmental depreciation and amortisation	76	227	18	321	40	36	34	110	12	443
Segmental interest income	1	34	-	35	-	5	-	5	-	40
Segmental interest expense	2	225	3	230	2	32	7	41	-	271
Segmental write-down of inventories	8	155	11	174	4	10	6	20	-	194
Segmental reversal of write-down of inventories	12	5	1	18	1	2	3	6	-	24

4. 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 European markets. 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	**2013**	2012	**2013**	2012
Hong Kong & Macao	**10,767**	9,708	**1,036**	1,037
Mainland China	**28,569**	35,788	**4,936**	4,352
Other Markets	**2,925**	2,518	**455**	529
Total	**42,261**	48,014	**6,427**	5,918

5. OTHER INCOME

HK$ million	**2013**	2012
Commission income, subsidy income and rebate	**483**	414
Handling and service charge income	**155**	97
Net exchange gain	**34**	10
Goodwill payment received	**28**	-
Interest income from bank deposits	**18**	21
Other interest income	**1**	12
Compensation received for early termination of lease	**11**	-
Net gain / (loss) on disposal of investment properties	**8**	(2)
Net loss on disposal of land and buildings held for own use	**(5)**	-
Net gain / (loss) on disposal of other fixed assets	**3**	(2)
Net gain on disposal of subsidiaries	**3**	-
Net fair value gain on foreign currency forward contracts	**2**	57
Net loss on disposal of joint ventures	**-**	(4)
Others	**80**	60
Total	**821**	663

6. PROFIT BEFORE TAXATION

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

(a) Finance costs

HK$ million	**2013**	2012
Interest on bank advances and other borrowings wholly repayable within five years	**234**	326

(b) Staff costs

HK$ million	**2013**	2012
Salaries, wages and other benefits	**2,520**	2,304
Contributions to defined contribution retirement schemes (Note)	**129**	115
Share-based payments (Note 29)	**21**	18
Total	**2,670**	2,437

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. 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.

6. PROFIT BEFORE TAXATION (CONTINUED)

(c) Other items

HK$ million	**2013**	2012
Amortisation		
- lease prepayments	**10**	10
- intangible assets	**46**	41
Depreciation	**510**	459
Write-down of inventories	**82**	194
Reversal of write-down of inventories	**(104)**	(24)
(Reversal of impairment losses) / impairment losses on		
- property, plant and equipment	**(2)**	34
- intangible assets	**-**	3
- goodwill	**-**	3
- trade and other receivables	**-**	(5)
- amounts due from joint ventures	**-**	20
Net loss / (gain) on realised foreign currency forward contracts	**3**	(11)
Auditors' remuneration	**26**	27
Operating lease charges in respect of properties	**642**	576
Rental income from investment properties less direct outgoings of HK$14 million (2012: HK$17 million)	**(24)**	(36)

(d) Net gain on remeasurement of an investment property reclassified as asset held for sale

In December 2013, the Group entered into a provisional sale and purchase agreement with an independent third party to dispose of an investment property situated in Hong Kong at a consideration of HK$143 million. It is contemplated that the disposal would be completed on or before 25 March 2014. A remeasurement gain of HK$12 million was recognised in the consolidated income statement for the year ended 31 December 2013 upon the property being reclassified as asset held for sale (Note 22).

In December 2012, the Group disposed of an investment property situated in Hong Kong at a consideration of HK$405 million, which had been reclassified as asset held for sale at 30 June 2012 with a carrying amount of HK$324 million (Note 13(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.

Notes to the Financial Statements

7. INCOME TAX

Hong Kong Profits Tax is calculated at 16.5% (2012: 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	**2013**	2012
Current tax – Hong Kong Profits Tax		
- Provision for the year	**98**	84
- Over-provision in previous years	**(4)**	(2)
	94	82
Current tax – Outside Hong Kong		
- Provision for the year	**174**	433
- (Over) / under-provision in previous years	**(5)**	8
	169	441
Deferred tax		
- Origination and reversal of temporary differences	**77**	(21)
- Effect of change in tax rate (Note *(ii)*)	**(13)**	-
	64	(21)
Withholding tax	**13**	14
Total	**340**	516

Notes:

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

(ii) A comprehensive double taxation agreement was entered into between Hong Kong SAR Government and Government of Canada. Under which, the withholding tax rate on dividends declared by a subsidiary in Canada will be reduced from 25% to 5% starting from the fiscal year 2014/15.

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

HK$ million	**2013**	2012
Profit before taxation	**1,274**	1,526
Tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**253**	323
Effect of change in tax rate (Note 7(a)*(ii)*)	**(13)**	-
Tax effect of non-deductible expenses	**53**	116
Tax effect of non-taxable income	**(44)**	(58)
Tax effect of utilisation of previously unrecognised tax losses	**(40)**	(6)
Tax effect of unused tax losses not recognised	**127**	121
Withholding tax	**13**	14
(Over) / under-provision in previous years	**(9)**	6
Income tax charge	**340**	516

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year ended 31 December 2013 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	-	4,350	10,800	420	15,570	1,650	17,220
Lau Sei Keung	-	2,924	5,565	282	8,771	1,329	10,100
Tsoi Tai Kwan, Arthur (Note *(ii)*)	-	2,552	3,122	240	5,914	1,009	6,923
Glenn Robert Sturrock Smith	-	2,506	2,914	120	5,540	1,009	6,549
Wai King Fai, Francis	-	2,749	2,394	15	5,158	825	5,983
Non-executive directors							
Hui Ying Bun (Note *(iii)*)	500	79	-	-	579	-	579
Kwok Man Leung	-	-	-	-	-	-	-
Fei Yiping	-	-	-	-	-	-	-
Independent non-executive directors							
Cheung Kin Piu, Valiant	380	-	-	-	380	-	380
Hsu Hsung, Adolf	380	-	-	-	380	-	380
Yeung Yue Man	380	-	-	-	380	-	380
Chan Kay Cheung (Note *(iv)*)	281	-	-	-	281	-	281
Total	1,921	15,160	24,795	1,077	42,953	5,822	48,775

Notes:

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

(ii) Mr. Tsoi Tai Kwan, Arthur, resigned as executive director of the Company with effect from 1 January 2014.

(iii) Mr. Hui Ying Bun retired as the Chairman of the Board and non-executive director of the Company and be replaced by Mr. Zhang Jijing with effect from 1 January 2014.

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

(v) 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.

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

8. DIRECTORS' REMUNERATION (CONTINUED)

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 *(v)*)	-	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 (Note *(ii)*)	-	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 *(vi)*)	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 *(iv)*)	-	-	-	-	-	-	-
Total	1,796	14,355	23,936	967	41,054	4,410	45,464

9. 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 2012 and 2013 are also the directors of the Company, whose emoluments are disclosed in note 8.

(b) Emoluments of senior management

Other than the emoluments of directors and five highest paid individuals disclosed in notes 8 and 9(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$)	Number of individuals **2013**	2012
4,000,001 – 5,000,000	**3**	1
3,000,001 – 4,000,000	**2**	1
2,000,001 – 3,000,000	**7**	6
Total	**12**	8

10. PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The Company's profit for the year is HK$980 million (2012: HK$913 million). After excluding the dividend income from subsidiaries of HK$1,089 million (2012: HK$882 million) which is attributable to profits in previous years, the reversal of impairment losses on amounts due from subsidiaries of HK$24 million (2012: HK$59 million), and other inter-company net expenses of HK$28 million (2012: net income of HK$64 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$105 million (2012: loss of HK$92 million).

11. DIVIDENDS

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

HK$ million	**2013**	2012
Interim dividend declared and paid of 8.68 HK cents (2012: 11.78 HK cents) per share	**159**	215
Final dividend proposed after the balance sheet date of 10.72 HK cents (2012: 8.88 HK cents) per share	**196**	162
Total	**355**	377

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	**2013**	2012
Final dividend approved and paid of 8.88 HK cents (2012: 12.74 HK cents) per share	**162**	232

Notes to the Financial Statements

12. 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$901 million (2012: HK$1,045 million) and the weighted average number of ordinary shares in issue during the year which is calculated as follows:

	Number of ordinary shares	
	2013	2012
Issued ordinary shares at 1 January	**1,829,743,000**	1,821,148,000
Effect of share options exercised	**1,099,863**	4,493,060
Weighted average number of ordinary shares	**1,830,842,863**	1,825,641,060

(b) Diluted earnings per share

The diluted earnings per share is based on the profit attributable to shareholders of the Company of HK$901 million (2012: HK$1,045 million) and the weighted average number of ordinary shares (diluted) which is calculated as follows:

	Number of ordinary shares	
	2013	2012
Weighted average number of ordinary shares (Note 12(a))	**1,830,842,863**	1,825,641,060
Effect of deemed issue of shares under the Company's share option scheme	**2,237,160**	5,748,330
Weighted average number of ordinary shares (diluted)	**1,833,080,023**	1,831,389,390

13. FIXED ASSETS

(a) Group

HK$ million	Note	Land and buildings held for own use	Construction in progress	Others	Sub-total	Investment properties	Total
	Note	13(e)		13(f)		13(g)	
Cost or valuation:							
At 1 January 2013		**2,276**	**272**	**3,099**	**5,647**	**565**	**6,212**
Exchange adjustments		**36**	**2**	**34**	**72**	**(57)**	**15**
Additions		**131**	**202**	**718**	**1,051**	**-**	**1,051**
Acquisition of subsidiaries	30(a)	**111**	**-**	**94**	**205**	**-**	**205**
Acquisition of subsidiaries under common control	30(c)	**-**	**-**	**6**	**6**	**-**	**6**
Transfer to assets held for sale	22	**(29)**	**-**	**-**	**(29)**	**(131)**	**(160)**
Transfer to inventories	13(c)	**-**	**-**	**(72)**	**(72)**	**-**	**(72)**
Transfer to investment properties	13(d)	**(1)**	**-**	**-**	**(1)**	**17**	**16**
Reclassification		**252**	**(298)**	**46**	**-**	**-**	**-**
Amortisation capitalised in construction in progress	14	**-**	**3**	**-**	**3**	**-**	**3**
Disposals		**(27)**	**(1)**	**(411)**	**(439)**	**(47)**	**(486)**
Net gain on remeasurement		**-**	**-**	**-**	**-**	**19**	**19**
At 31 December 2013		**2,749**	**180**	**3,514**	**6,443**	**366**	**6,809**
Representing:							
Cost		**2,749**	**180**	**3,514**	**6,443**	**-**	**6,443**
Valuation		**-**	**-**	**-**	**-**	**366**	**366**
At 31 December 2013		**2,749**	**180**	**3,514**	**6,443**	**366**	**6,809**
Accumulated depreciation and impairment:							
At 1 January 2013		**594**	**-**	**1,695**	**2,289**	**-**	**2,289**
Exchange adjustments		**6**	**-**	**16**	**22**	**-**	**22**
Acquisition of subsidiaries	30(a)	**17**	**-**	**55**	**72**	**-**	**72**
Acquisition of subsidiaries under common control	30(c)	**-**	**-**	**4**	**4**	**-**	**4**
Charge for the year		**91**	**-**	**419**	**510**	**-**	**510**
Impairment loss	13(j)	**-**	**-**	**(2)**	**(2)**	**-**	**(2)**
Transfer to assets held for sale	22	**(10)**	**-**	**-**	**(10)**	**-**	**(10)**
Transfer to inventories	13(c)	**-**	**-**	**(52)**	**(52)**	**-**	**(52)**
Transfer to investment properties	13(d)	**(1)**	**-**	**-**	**(1)**	**-**	**(1)**
Written back on disposals		**(10)**	**-**	**(177)**	**(187)**	**-**	**(187)**
At 31 December 2013		**687**	**-**	**1,958**	**2,645**	**-**	**2,645**
Net book value:							
At 31 December 2013		**2,062**	**180**	**1,556**	**3,798**	**366**	**4,164**

13. FIXED ASSETS (CONTINUED)

(a) Group (continued)

HK$ million	Note	Land and buildings held for own use	Construction in progress	Others	Sub-total	Investment properties	Total
	Note	13(e)		13(f)		13(g)	
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		-	-	12	12	-	12
Transfer to assets held for sale	6(d)	-	-	-	-	(324)	(324)
Transfer to inventories	13(c)	-	-	(33)	(33)	-	(33)
Transfer to investment properties		(16)	-	-	(16)	16	-
Reclassification		50	(61)	11	-	-	-
Disposals		-	-	(253)	(253)	(5)	(258)
Net gain on remeasurement		-	-	-	-	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		-	-	7	7	-	7
Charge for the year		85	-	374	459	-	459
Impairment loss	13(j)	-	-	34	34	-	34
Transfer to inventories	13(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

13. FIXED ASSETS (CONTINUED)

(b) Company

HK$ million	Investment property 2013	2012
At valuation:		
At 1 January	**196**	159
Disposal	**(196)**	-
Net gain on remeasurement	**-**	37
At 31 December	**-**	196

During the year ended 31 December 2013, the Company has transferred its investment property to a subsidiary.

(c) During the year ended 31 December 2013, certain motor vehicles with carrying amount of HK$20 million (2012: HK$8 million) were transferred to inventories when they ceased to be rented or used as test drive vehicles.

(d) During the year ended 31 December 2013, a property with carrying amount of HK$0.2 million was transferred from land and building held for own use to investment property as the property was leased out. The difference between its fair value and carrying amount at the date of transfer of HK$17 million was credited to asset revaluation reserve.

(e) The net book value of land and buildings held for own use under finance lease was HK$130 million at 31 December 2013 (2012: HK$133 million).

(f) Other fixed assets comprise cargo lighters, computer installations, motor vehicles, plants, machineries, furnitures, fixtures and equipments.

(g) Property valuation

All investment properties were revalued at 31 December 2013 by the following independent valuers with recognised professional qualifications and relevant experience in the location and category of investment properties being revalued. The Group has discussed the valuation assumptions and valuation results with the valuers when the valuation is performed at the end of reporting period.

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

Fair value hierarchy

The fair value measurement of the Group's investment properties and an investment property held for sale at the balance sheet date have been categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement* (see Note 31(e)*(i)*). The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique.

The Group's policy is to recognise transfers between levels of fair value hierarchy at the end of the reporting period in which they occur.

13. FIXED ASSETS (CONTINUED)

(g) Property valuation (continued)

An investment property held for sale (Note 22) is measured at fair value at 31 December 2013 by reference to the selling price on the provisional sales and purchase agreement signed with an independent third party. The property falls into Level 2 as there was no significant unobservable input. Such property was under Level 3 before transferred to asset held for sale.

All investment properties fall into Level 3, except for the investment property held for sale, and the movement during the year is as follows:

Group

HK$ million	Hong Kong	Mainland China	Japan	Total
At 1 January 2013	145	65	355	565
Exchange adjustments	-	2	(59)	(57)
Transfer out of Level 3 (Note *(i)*)	(131)	-	-	(131)
Transfer to Level 3 (Note *(ii)*)	17	-	-	17
Disposals	-	-	(47)	(47)
Unrealised fair value gain (Note *(iii)*)	11	2	6	19
At 31 December 2013	**42**	**69**	**255**	**366**

Notes:

(i) Being transfer to asset held for sale (Note 22).

(ii) Being transfer from land and building held for own use to investment property (Note 13(d)), the difference between the fair value and carrying amount at the date of transfer of HK$17 million was included in “revaluation gain recognised upon transfer from property held for own use to investment property” in other comprehensive income.

(iii) The “unrealised fair value gain” for the year is related to investment properties held by the Group at the balance sheet date and is included in “net gain on remeasurement of other investment properties” in the consolidated income statement.

Company

The Company has disposed of its investment property to a subsidiary during the year ended 31 December 2013, which is located in Hong Kong and falls into Level 3 (Note 13(b)).

Valuation techniques and inputs used in Level 3 fair value measurements

The fair value of certain investment properties located in Hong Kong and mainland China is determined by using income capitalisation approach with reference to sales transactions as available in the market. The income capitalisation approach is the sum of the term value and the reversionary value by discounting the contracted annual rent at the capitalisation rate over the existing lease period; and the sum of average unit market rent at the capitalisation rate after the existing lease period.

The fair value of certain investment properties located in mainland China is determined by using depreciated replacement cost approach. Depreciated replacement cost is the current cost of replacement or reproduction of a property after deduction for physical deterioration and all relevant forms of obsolescence and optimisation. The fair value measurement is based on an estimate of the market value for the existing use of the land, plus the depreciated replacement cost.

13. FIXED ASSETS (CONTINUED)

(g) **Property valuations (continued)**

Valuation techniques and inputs used in Level 3 fair value measurements (continued)

The fair value of certain investment properties located in Japan is determined by discounting a projected cash flow series associated with the properties using risk-adjusted discount rates. The valuation takes into account expected market rental growth and occupancy rate of the respective properties. The discount rates used have been adjusted for the quality and location of the buildings and the tenant credit quality.

The fair value of certain investment properties located in Japan is determined by using direct comparison approach with reference to the market price of comparable properties and adjusted for building quality and timing of the reference transactions.

Location of properties	Valuation techniques	Unobservable input	Note	Range
Hong Kong	Income Capitalisation Approach	Average market rent per sq. ft. per month	*(i)*	HK$12.6 – HK$90.0
		Capitalisation rate	*(ii)*	3.5% – 4.0%
Mainland China	Income Capitalisation Approach	Average market rent per sq. m. per month	*(i)*	RMB10.0 – RMB17.4
		Capitalisation rate	*(ii)*	8.5% – 10.0%
	Depreciated Replacement Cost Approach	Average unit price of land per sq. m.	*(i)*	RMB284 – RMB387
		Average construction cost per sq. m.	*(i)*	RMB204 – RMB502
Japan	Discounted Cash Flow Approach	Discount rate	*(ii)*	6.0% – 6.2%
	Direct Comparison Approach	Property-specific adjusting rate	*(i)*	0.9 – 1.2

Notes:

(i) The higher the value, the higher the fair value

(ii) The higher the value, the lower the fair value

13. FIXED ASSETS (CONTINUED)

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

HK$ million	Group 2013	Group 2012	Company 2013	Company 2012
Investment properties				
In Hong Kong				
- Long term lease	**25**	145	**-**	-
- Medium term lease	**17**	-	**-**	196
Outside Hong Kong				
- Freehold properties	**255**	355	**-**	-
- Medium term lease	**69**	65	**-**	-
At 31 December	**366**	565	**-**	196

HK$ million	Group 2013	Group 2012
Land and buildings held for own use		
In Hong Kong		
- Long term lease	**69**	18
- Medium term lease	**239**	246
- Short term lease	**1**	2
Outside Hong Kong		
- Freehold properties	**51**	52
- Medium term lease	**1,583**	1,257
- Short term lease	**119**	107
At 31 December	**2,062**	1,682

(i) Certain buildings situated in mainland China with an aggregate net book value of HK$696 million at 31 December 2013 (2012: HK$509 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 2013, the recoverable amount of fixed assets had been assessed. Based on the assessment, impairment loss on certain fixed assets made in previous years was reversed by HK$2 million (2012: provided by HK$34 million) by reference to their value in use.

13. 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	**2013**	2012
Within 1 year	**92**	92
After 1 year but within 5 years	**59**	76
After 5 years	**42**	42
At 31 December	**193**	210

14. LEASE PREPAYMENTS

	Group	
HK$ million	**2013**	2012
Cost:		
At 1 January	**545**	425
Exchange adjustments	**11**	4
Acquisition of subsidiaries (Note 30(a))	**40**	-
Additions	**18**	116
Disposals	**(6)**	-
At 31 December	**608**	545
Accumulated amortisation and impairment:		
At 1 January	**54**	43
Exchange adjustments	**3**	1
Acquisition of subsidiaries (Note 30(a))	**3**	-
Charge for the year	**10**	10
Amortisation capitalised in construction in progress (Note 13(a))	**3**	-
Written back on disposals	**(2)**	-
At 31 December	**71**	54
Net book value:		
At 31 December	**537**	491

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

	Group	
HK$ million	**2013**	2012
Outside Hong Kong – medium term lease	**537**	491

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

15. INTANGIBLE ASSETS

Group

HK$ million	Car dealerships	Others (Note *(i)*)	Total
Cost:			
At 1 January 2013	**734**	**64**	**798**
Exchange adjustments	**15**	**1**	**16**
Acquisition of subsidiaries (Note 30(a))	**7**	**76**	**83**
At 31 December 2013	**756**	**141**	**897**
Accumulated amortisation and impairment:			
At 1 January 2013	**109**	**19**	**128**
Exchange adjustments	**3**	**-**	**3**
Charge for the year (Note *(ii)*)	**36**	**10**	**46**
At 31 December 2013	**148**	**29**	**177**
Net book value:			
At 31 December 2013	**608**	**112**	**720**

HK$ million	Car dealerships	Others (Note *(i)*)	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 (Note *(ii)*)	36	5	41
Impairment loss	3	-	3
At 31 December 2012	109	19	128
Net book value:			
At 31 December 2012	625	45	670

Notes:

(i) Others mainly comprise trademarks and customer relationships.

(ii) The amortisation charge for the year is included in “administrative expenses” in the consolidated income statement.

16. GOODWILL

HK$ million	Group 2013	2012
Cost:		
At 1 January	**376**	376
Exchange adjustments	**2**	-
Acquisition of a subsidiary (Note 30(a))	**10**	-
At 31 December	**388**	376
Accumulated impairment:		
At 1 January	**32**	29
Impairment loss	**-**	3
At 31 December	**32**	32
Carrying amount:		
At 31 December	**356**	344

Impairment tests for goodwill

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

HK$ million		2013	2012
Motor and Motor Related Business	- Mainland China	**151**	150
Food and Consumer Products Business	- Hong Kong & Macao	**202**	192
	- Mainland China	**3**	2
		356	344

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 14% to 15% (2012: 16% to 17%).

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.

17. INTERESTS IN SUBSIDIARIES

HK$ million	Company 2013	2012
Unlisted investments, at cost	**19**	19
Amounts due from subsidiaries	**5,589**	5,114
At 31 December	**5,608**	5,133

The amounts due from subsidiaries are unsecured, have no fixed repayment term and interest bearing at 1 week HIBOR per annum, except for an amount of HK$386 million (2012: HK$398 million) which is non-interest bearing and in which an amount of HK$84 million (2012: HK$84 million) is recoverable after one year upon request.

Details of the Company's principal subsidiaries are set out in note 36.

18. INTERESTS IN ASSOCIATES

HK$ million	Group 2013	2012
Share of net assets at 31 December	**224**	236

The following are the principal associates 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$205,500,000	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.

18. INTERESTS IN ASSOCIATES (CONTINUED)

Each individual associate does not have a significant financial impact on the Group's results of operations and financial position. Aggregate financial information of associates that are individually immaterial is as follows:

	Group	
HK$ million	**2013**	2012
Carrying amount in the consolidated financial statements	**224**	236
The Group's effective share of those associates':		
Profit / (loss) for the year	**11**	(1)
Other comprehensive income	**6**	2
Total comprehensive income	**17**	1

19. INTERESTS IN JOINT VENTURES

	Group	
HK$ million	**2013**	2012
Share of net assets	**201**	184
Goodwill	**1**	1
Amounts due from joint ventures	**224**	69
At 31 December	**426**	254

The amounts due from joint ventures are unsecured, non-interest bearing and not expected to be recoverable within one year, except for an amount of HK$25 million which is interest bearing at 3% per annum as at 31 December 2012 and 2013.

During the year ended 31 December 2013, the amounts due from joint ventures of HK$153 million have been reclassified from trade and other receivables (Note 23(g)) to interests in joint ventures as the amounts are not expected to be recoverable within one year.

19. INTERESTS IN JOINT VENTURES (CONTINUED)

The following are the principal joint ventures of the Group. To give details of other joint ventures would, in the opinion of the directors, result in particulars of excessive length.

Name of joint ventures	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	Manufacturing 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	Manufacturing 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 joint ventures are indirectly held by the Company.

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

19. INTERESTS IN JOINT VENTURES (CONTINUED)

Each individual joint venture does not have a significant financial impact on the Group's results of operations and financial position. Aggregate financial information of joint ventures that are individually immaterial is as follows:

	Group	
HK$ million	**2013**	2012
Carrying amount in the consolidated financial statements	**426**	254
The Group's effective share of those joint ventures':		
Profit for the year	**13**	12
Other comprehensive income	**4**	1
Total comprehensive income	**17**	13

20. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
HK$ million	**2013**	2012
Unlisted investments at 31 December	**8**	8

21. INVENTORIES

(a) Inventories in the consolidated balance sheet represent:

	Group	
HK$ million	**2013**	2012
Finished goods	**6,180**	5,488
Raw materials	**66**	39
Work-in-progress	**13**	9
At 31 December	**6,259**	5,536

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

	Group	
HK$ million	**2013**	2012
Carrying amount of inventories sold	**34,852**	39,999
Write-down of inventories	**82**	194
Reversal of write-down of inventories	**(104)**	(24)
Total	**34,830**	40,169

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.

22. ASSETS HELD FOR SALE

In June 2013, a property situated in Canada with carrying amount of HK$19 million was reclassified from land and buildings held for own use to asset held for sale following the Group's plan to dispose of the property.

In December 2013, an investment property situated in Hong Kong with carrying amount of HK$131 million at 30 June 2013 was reclassified as asset held for sale with a fair value of HK$143 million at 31 December 2013 following the Group's plan to dispose of the property (Note 6(d)).

23. TRADE AND OTHER RECEIVABLES

		Group		Company	
HK$ million	Note	**2013**	2012	**2013**	2012
Trade debtors and bills receivable		**3,015**	2,528	**-**	-
Less: provision for impairment of trade debtors	23(b)	**(59)**	(63)	**-**	-
		2,956	2,465	**-**	-
Other receivables, deposits and prepayments		**3,470**	2,676	**1**	1
Gross amount due from customers for contract work	23(d)	**2**	-	**-**	-
Amounts due from subsidiaries	23(e)	**-**	-	**2,208**	1,425
Amounts due from fellow subsidiaries	23(f)	**1**	2	**-**	-
Amounts due from associates	23(f)	**47**	-	**-**	-
Amounts due from holders of non-controlling interests	23(f)	**-**	6	**-**	-
Amounts due from joint ventures	23(g)	**-**	311	**-**	-
Derivative financial instruments		**7**	4	**1**	-
At 31 December		**6,483**	5,464	**2,210**	1,426

The amount of the Group's trade and other receivables expected to be recovered or recognised as expense after more than one year was HK$105 million at 31 December 2013 (2012: HK$118 million). The remaining balances of trade and other receivables are expected to be recovered or recognised as expense within one year.

23. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Ageing analysis

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

	Group	
HK$ million	**2013**	2012
Within 3 months	**2,770**	2,331
More than 3 months but within 1 year	**164**	123
Over 1 year	**22**	11
At 31 December	**2,956**	2,465

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

(b) Impairment of trade debtors

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

	Group	
HK$ million	**2013**	2012
At 1 January	**63**	65
Exchange adjustments	**(1)**	(1)
Acquisition of a subsidiary	**1**	-
Acquisition of subsidiaries under common control	**5**	-
Reversal of impairment loss	**(1)**	-
Uncollectible amounts written off	**(8)**	(1)
At 31 December	**59**	63

At 31 December 2013, there were certain trade debtors at a carrying amount of HK$59 million (2012: HK$63 million) which were in financial difficulties and individually determined to be impaired. Consequently, provision for such amount was recognised at the balance sheet date.

23. TRADE AND OTHER RECEIVABLES (CONTINUED)

(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$308 million at 31 December 2013 (2012: HK$151 million) which were past due over one month at the balance sheet date but not impaired. These relate to a number of individual customers for whom there was no recent history of default. The ageing analysis of these trade debtors at the balance sheet date is as follows:

	Group	
HK$ million	**2013**	2012
Overdue for 1 to 3 months	**223**	85
Overdue for more than 3 months but within 1 year	**66**	59
Overdue over 1 year	**19**	7
At 31 December	**308**	151

(d) Construction contracts

	Group	
HK$ million	**2013**	2012
Contract costs incurred plus profits less losses	**82**	-
Progress billings	**(103)**	-
At 31 December	**(21)**	-
Representing:		
Gross amount due from customers for contract work	**2**	-
Gross amount due to customers for contract work	**(23)**	-
At 31 December	**(21)**	-

The gross amounts due from / to customers for contract work at 31 December 2013 are expected to be recovered / settled within one year.

(e) The amounts due from subsidiaries of the Company are unsecured, non-interest bearing and recoverable on demand, except for an amount of HK$1,207 million (2012: HK$1,130 million) which is interest bearing at 1 week HIBOR per annum as at 31 December 2012 and 2013.

(f) The amounts due from fellow subsidiaries, associates and holders of non-controlling interests of the Group are unsecured, non-interest bearing and recoverable on demand, except for the amount due from an associate of HK$5 million which is interest bearing at 4.8% per annum in 2013.

(g) The amounts due from joint ventures of the Group are unsecured, non-interest bearing and recoverable on demand, except for the amounts due from joint ventures of HK$178 million which are interest bearing at 3% – 5% per annum in 2012 and have been repaid in 2013.

During the year ended 31 December 2013, the amounts due from joint ventures of HK$153 million have been reclassified to interests in joint ventures as they are not expected to be recoverable within one year (Note 19).

24. CASH AND CASH EQUIVALENTS

The analysis of cash and cash equivalents is as follows:

		Group		Company	
HK$ million	Note	**2013**	2012	**2013**	2012
Cash and bank deposits		**2,173**	3,225	**16**	144
Less:					
Pledged deposits	25(d)	**(253)**	(259)	**-**	-
Bank overdrafts	25(b)	**(13)**	(15)	**-**	-
At 31 December		**1,907**	2,951	**16**	144

Included in cash and cash equivalents of the Group, HK$1,503 million (2012: HK$2,366 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

		Group		Company	
HK$ million	Note	**2013**	2012	**2013**	2012
Bank loans and overdrafts	25(a) and (b)	**7,263**	6,272	**3,602**	3,408
Other loans	25(c)	**161**	137	**-**	-
At 31 December		**7,424**	6,409	**3,602**	3,408

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

	Group		Company	
HK$ million	**2013**	2012	**2013**	2012
Within 1 year or on demand	**5,447**	3,334	**1,788**	475
After 1 year but within 2 years	**1,520**	1,734	**1,518**	1,734
After 2 years but within 5 years	**296**	1,204	**296**	1,199
	1,816	2,938	**1,814**	2,933
At 31 December	**7,263**	6,272	**3,602**	3,408

25. BORROWINGS (CONTINUED)

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

		Group		Company	
HK$ million	Note	**2013**	2012	**2013**	2012
Bank overdrafts					
- unsecured	24	**13**	15	**-**	-
Bank loans					
- secured		**400**	441	**-**	-
- unsecured		**6,850**	5,816	**3,602**	3,408
		7,250	6,257	**3,602**	3,408
At 31 December		**7,263**	6,272	**3,602**	3,408

(c) Other loans are secured by inventories and other deposits and are 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 for the year ended 31 December 2012, while they are secured by corporate guarantees granted by holders of non-controlling interests for the year ended 31 December 2013.

(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	**2013**	2012
Inventories		**477**	529
Bank deposits	24	**253**	259
Trade and other receivables		**40**	65
Property, plant and equipment		**25**	27
At 31 December		**795**	880

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 2012 and 2013, 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	**2013**	2012	**2013**	2012
Trade creditors and bills payable	26(a)	**1,588**	1,648	**-**	-
Other payables and accrued charges		**2,515**	2,603	**16**	15
Gross amount due to customers for contract work	23(d)	**23**	-	**-**	-
Amounts due to subsidiaries	26(b)	**-**	-	**198**	148
Amounts due to associates	26(c)	**9**	13	**-**	-
Amounts due to joint ventures	26(c)	**10**	9	**-**	-
Amounts due to holders of non-controlling interests	26(c)	**268**	229	**-**	-
Provision for product rectification	26(d)	**41**	43	**-**	-
Derivative financial instruments		**11**	11	**3**	3
At 31 December		**4,465**	4,556	**217**	166

Apart from certain trade and other payables of the Group at 31 December 2013 of HK$63 million (2012: HK$60 million), all the amounts of trade and other payables are expected to be settled or recognised as income within one year or are payable on demand.

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

	Group	
HK$ million	**2013**	2012
Current or within 1 month	**1,516**	1,578
More than 1 month but within 3 months	**41**	43
More than 3 months but within 6 months	**14**	18
Over 6 months	**17**	9
At 31 December	**1,588**	1,648

(b) The amounts due to subsidiaries of the Company are unsecured, non-interest bearing and repayable on demand, except for an amount of HK$25 million (2012: HK$43 million) which is interest bearing at 1 month HIBOR per annum as at 31 December 2012 and 2013.

(c) The amounts due to associates, joint ventures and holders of non-controlling interests of the Group are unsecured, non-interest bearing and repayable on demand, except for an amount due to a holder of non-controlling interests of HK$10 million which is interest bearing at 2% per annum in 2013.

26. TRADE AND OTHER PAYABLES (CONTINUED)

(d) Provision for product rectification

The movement of provision for product rectification is as follows:

	Group	
HK$ million	**2013**	2012
At 1 January	**43**	41
Exchange adjustments	**(1)**	1
Additional provision made	**36**	34
Reversal of provision	**(3)**	(7)
Provision utilised	**(34)**	(26)
At 31 December	**41**	43

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 2012	67	103	61	(111)	(10)	57	167
Exchange adjustments	(4)	-	(4)	-	-	-	(8)
(Credited) / charged to the consolidated income statement (Note 7(a))	(1)	(5)	(7)	2	(1)	(9)	(21)
At 31 December 2012	62	98	50	(109)	(11)	48	138
At 1 January 2013	**62**	**98**	**50**	**(109)**	**(11)**	**48**	**138**
Exchange adjustments	**(7)**	**2**	**(7)**	**4**	**-**	**(1)**	**(9)**
Acquisition of subsidiaries (Note 30(a))	**1**	**19**	**-**	**-**	**-**	**-**	**20**
Effect of change in tax rate (Note 7(a))	**-**	**-**	**-**	**-**	**-**	**(13)**	**(13)**
(Credited) / charged to the consolidated income statement (Note 7(a))	**(5)**	**(6)**	**11**	**101**	**(12)**	**(12)**	**77**
At 31 December 2013	**51**	**113**	**54**	**(4)**	**(23)**	**22**	**213**

27. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

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

Group

Represented by:

HK$ million	**2013**	2012
Deferred tax assets	**(30)**	(108)
Deferred tax liabilities	**243**	246
	213	138

Company

The deferred tax liabilities recognised in the balance sheet is in relation to depreciation allowance in excess of related depreciation and the movement during the year is as follows:

HK$ million	
At 1 January and 31 December 2012 and 1 January 2013	1
Credited to income statement	**(1)**
At 31 December 2013	**-**

(b) Deferred tax assets not recognised

At 31 December 2013, the Group had not recognised deferred tax assets in respect of the cumulative tax losses of HK$1,766 million (2012: HK$1,353 million) as utilisation of these tax losses may not be probable. Tax losses in certain tax jurisdictions of HK$1,254 million (2012: HK$905 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 2013, there were temporary differences of HK$3,618 million (2012: HK$3,248 million) related to the undistributed profits of subsidiaries. Deferred tax liabilities of HK$182 million (2012: HK$163 million) have not been recognised in respect of the tax payable upon the distribution of these undistributed profits to Hong Kong. The Company controls the dividend policy of these subsidiaries and it has been determined that these undistributed profits will not be distributed to Hong Kong in the foreseeable future.

Notes to the Financial Statements

28. CAPITAL AND RESERVES

(a) Share capital

	2013 Number of shares (in million)	2013 HK$ million	2012 Number of shares (in million)	2012 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	**1,830**	**274**	1,821	273
Shares issued under share option scheme	**2**	**1**	9	1
At 31 December	**1,832**	**275**	1,830	274

(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 interest in a subsidiary that do not result in a loss of control are included in the general reserve.

(iii) During the year ended 31 December 2013, general reserve of HK$143 million was transferred to retained profits upon payment of dividend from a subsidiary in Japan.

(d) Capital reserve

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

28. CAPITAL AND RESERVES (CONTINUED)

(e) Statutory surplus reserve

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

(f) Merger reserve

The merger reserve represents the amount of consideration paid to CITIC Pacific Limited ("CITIC Pacific"), an intermediate holding company of the Company, in excess of the share capital 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 share option scheme.

(h) Exchange fluctuation reserve

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

(i) Asset revaluation reserve

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

(j) Distributable reserves

The distributable reserves of the Company at 31 December 2013 were HK$2,491 million (2012: HK$1,720 million).

28. CAPITAL AND RESERVES (CONTINUED)

(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 2013, the capital management strategy of the Group, which was consistent with 2012, was to maintain the net gearing ratio below 40%.

The net gearing ratios at 31 December 2012 and 2013 are as follows:

		Group	
HK$ million	Note	**2013**	2012
Total borrowings	25	**7,424**	6,409
Less: cash and bank deposits	24	**(2,173)**	(3,225)
Net debt		**5,251**	3,184
Shareholders' funds		**8,994**	8,511
Total capital		**14,245**	11,695
Net gearing ratio		**36.9%**	27.2%

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 and 2013, the Group had complied with all of the above financial covenants.

29. EQUITY COMPENSATION BENEFITS

The Company adopted the Share Option Scheme ("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 under the Scheme 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** **2013**	2012
7 July 2010	*(i)*	23,400,000	4.766	**6,140,000**	8,290,000
8 June 2012	*(ii)*	24,450,000	7.400	**23,750,000**	24,250,000

Notes:

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

(ii) 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 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.

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

	2013		2012	
	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	**6.729**	**32,540**	4.994	16,885
Granted during the year	**-**	**-**	7.400	24,250
Exercised during the year	**4.883**	**(2,250)**	5.214	(8,595)
Lapsed during the year	**7.400**	**(400)**	-	-
Outstanding at 31 December	**6.859**	**29,890**	6.729	32,540
Exercisable at 31 December	**6.117**	**12,603**	4.998	9,090

The weighted average share price at the date of exercise of the share options during the year was HK$7.116 (2012: HK$8.349).

The share options outstanding at 31 December 2013 are with a weighted average remaining life of 3.0 years (2012: 3.9 years).

The weighted average fair value of the share options granted measured at the date of grant of 8 June 2012 was HK$2.30 per share.

30. ACQUISITION OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS

(a) During the year ended 31 December 2013, the Group has completed several acquisitions of subsidiaries as follows:

(i) In February 2013, the Group acquired 100% equity interest in Leo's Fine Food Company Limited ("Leo"). Leo is engaged in processing and trading of food products in Hong Kong.

(ii) In June 2013, the Group acquired 80% equity interest in Asia Resources Limited and its subsidiaries (collectively known as "Asia Resources Group") at a consideration of RMB37 million (approximately HK$46 million). Asia Resources Group is engaged in provision of a wide range of integrated professional logistics and supply chain management solutions and cold chain management services in Guangzhou, mainland China. Details can be referred to the table below.

In November 2013, the Group further acquired the remaining 20% equity interest in Asia Resources Group at a consideration of RMB19 million (approximately HK$24 million) which have become wholly owned subsidiaries of the Group.

(iii) In June 2013, the Group acquired 100% equity interest in 紹興合豐汽車銷售服務有限公司 (Shaoxing Hefeng Motors Sales and Service Limited) ("Shaoxing Hefeng"), formerly known as 紹興英之杰汽車銷售服務有限公司 (Shaoxing Yingzhijie Motors Sale and Service Limited). Shaoxing Hefeng is engaged in sales of vehicles and spare parts, providing maintenance services and conducting customer surveys for the manufacturer or supplier in respect of the "GAC Toyota" brand in Shaoxing, mainland China.

The acquisitions completed during the year ended 31 December 2013 had the following effect on the Group's assets and liabilities on their respective dates of acquisition:

	Food and Consumer Products Business		**Motor and Motor Related Business**		
HK$ million	**Leo**	**Asia Resources Group**	**Shaoxing Hefeng**	**Others**	**Total**
Property, plant and equipment (Note 13(a))	58	44	22	9	133
Lease prepayments (Note 14)	-	17	20	-	37
Intangible assets (Note 15)	74	2	-	7	83
Inventories	23	-	10	25	58
Trade and other receivables	23	4	4	13	44
Cash and bank deposits	18	1	13	11	43
Trade and other payables	(6)	(2)	(2)	(42)	(52)
Borrowings	-	-	-	(6)	(6)
Current tax payable	(2)	(4)	-	-	(6)
Deferred tax liabilities (Note 27(a))	(13)	(4)	(3)	-	(20)
Fair value of net assets acquired	**175**	**58**	**64**	**17**	**314**
Goodwill (Note 16)	10	-	-	-	10
Non-controlling interests arising from acquisition of subsidiaries	-	(12)	-	-	(12)
Total consideration	185	46	64	17	312
Less: cash acquired	(18)	(1)	(13)	(11)	(43)
Net cash outflow	**167**	**45**	**51**	**6**	**269**

30. ACQUISITION OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS (CONTINUED)

(a) (continued)

The total turnover and profit for the period contributed by Leo, Asia Resources Group and Shaoxing Hefeng from their respective dates of acquisition to 31 December 2013 were HK$248 million and HK$16 million respectively.

If the acquisitions of Leo, Asia Resources Group and Shaoxing Hefeng had occurred on 1 January 2013, the Group's turnover and profit for the year would have been approximately HK$42,368 million and approximately HK$934 million respectively. These amounts have been calculated by adopting the Group's accounting policies and adjusting the results of the relevant subsidiaries to reflect the additional amortisation and depreciation that would have been charged assuming the fair value adjustments to intangible assets, property, plant and equipment and lease prepayments had been applied from 1 January 2013, together with the consequential tax effects.

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

(b) In August 2013, the Group extended its equity interest in 雲南聯迪汽車服務有限公司 (Yunnan Liandi Motors Service Limited) from 80% to 100% at a consideration of RMB87 million (approximately HK$109 million).

(c) In September 2013, the Group acquired 100% equity interests in Gold Essence Holdings Corp. and its subsidiary (collectively known as "Gold Essence Group") from Golden Crest Company Ltd., a direct wholly owned subsidiary of CITIC Pacific, at a consideration of HK$44 million. The transaction is considered as a common control combination. Gold Essence Group is engaged in the provision of engineering and repairs and maintenance services (Note 34(b)).

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

31. 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 33, the Group or the Company does not provide any other guarantee which would expose the Group or the Company to credit risk.

(b) Liquidity risk

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

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

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

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):

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk (continued)

Group

HK$ million	2013 Within 1 year or on demand	2013 More than 1 year but within 2 years	2013 More than 2 years but within 5 years	2013 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	2012 Total
Borrowings	**(5,904)**	**(1,567)**	**(324)**	**(7,795)**	(3,744)	(1,801)	(1,235)	(6,780)
Trade and other payables	**(3,267)**	**-**	**-**	**(3,267)**	(3,509)	-	-	(3,509)
	(9,171)	**(1,567)**	**(324)**	**(11,062)**	(7,253)	(1,801)	(1,235)	(10,289)
Derivatives settled gross:								
Foreign currency forward contracts								
- outflow	**(493)**	**-**	**-**	**(493)**	(304)	-	-	(304)
- inflow	**490**	**-**	**-**	**490**	298	-	-	298
Cross currency swap (Note 31(c))								
- outflow	**(6)**	**(249)**	**-**	**(255)**	(6)	(6)	(250)	(262)
- inflow	**9**	**250**	**-**	**259**	13	13	252	278
	-	**1**	**-**	**1**	1	7	2	10
Financial guarantees issued:								
Maximum amount guaranteed (Note 33)	**(171)**	**(2)**	**(11)**	**(184)**	(222)	-	-	(222)

Company

HK$ million	2013 Within 1 year or on demand	2013 More than 1 year but within 2 years	2013 More than 2 years but within 5 years	2013 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	2012 Total
Borrowings	**(1,868)**	**(1,565)**	**(325)**	**(3,758)**	(559)	(1,801)	(1,229)	(3,589)
Trade and other payables	**(217)**	**-**	**-**	**(217)**	(166)	-	-	(166)
	(2,085)	**(1,565)**	**(325)**	**(3,975)**	(725)	(1,801)	(1,229)	(3,755)
Derivatives settled gross:								
Cross currency swap (Note 31(c))								
- outflow	**(6)**	**(249)**	**-**	**(255)**	(6)	(6)	(250)	(262)
- inflow	**9**	**250**	**-**	**259**	13	13	252	278
	3	**1**	**-**	**4**	7	7	2	16
Financial guarantees issued:								
Maximum amount guaranteed (Note 33)	**(2,984)**	**(180)**	**(33)**	**(3,197)**	(3,158)	(2)	(73)	(3,233)

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(c) Interest rate risk

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

At 31 December 2013, the Group and the Company had outstanding interest rate swaps with a notional contract amount of HK$1,400 million (2012: HK$900 million) to reduce the impact of interest rate fluctuation on the unsecured bank borrowings. The swaps will mature within 2014 to 2016 (2012: within 2013 to 2015) and have effective interest rates ranging from 2.36% to 3.32% per annum (2012: 2.18% to 3.62% per annum).

At 31 December 2013, the Group and the Company had a AUD / USD cross currency swap with a notional contract amount of AUD30 million to hedge the interest rate and foreign currency exposures of an unsecured bank borrowing which is denominated in Australian Dollars. The cross currency swap will mature in 2015 matching with the maturity and the currency of the underlying bank borrowing.

At 31 December 2013, the Group recognised the fair value of outstanding interest rate swaps and cross currency swap of HK$2 million liabilities (2012: HK$3 million liabilities) as derivative financial instruments.

Sensitivity analysis

At 31 December 2013, 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$32 million (2012: HK$34 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 2012.

(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 2013, the Group had foreign currency forward contracts hedging forecast transactions with a fair value of HK$2 million liabilities (2012: HK$4 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 31(c)) 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.

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(d) Currency risk (continued)

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

Group

in million	United States dollars	Renminbi	Euros	Japanese Yen	Pound Sterling	Hong Kong dollars
	2013					
Trade and other receivables	**4**	**71**	**-**	**202**	**-**	**10**
Cash and bank deposits	**10**	**3**	**1**	**90**	**-**	**99**
Borrowings	**(73)**	**-**	**(3)**	**-**	**-**	**(39)**
Trade and other payables	**(16)**	**(40)**	**(1)**	**(584)**	**(1)**	**-**
Net exposure arising from recognised assets and liabilities	**(75)**	**34**	**(3)**	**(292)**	**(1)**	**70**
Highly probable forecast purchases	**(11)**	**-**	**(14)**	**(8,474)**	**(7)**	**-**
Notional amounts of foreign currency forward contracts	**8**	**-**	**4**	**3,181**	**2**	**-**
Net exposure arising from forecast transactions	**(3)**	**-**	**(10)**	**(5,293)**	**(5)**	**-**
Overall net exposure	**(78)**	**34**	**(13)**	**(5,585)**	**(6)**	**70**

in million	United States dollars	Renminbi	Euros	Japanese Yen	Pound Sterling	Hong Kong dollars
	2012					
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

31. 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	**2013** **Positive / (negative) effect on profit after taxation and retained profits**	2012 Positive / (negative) effect on profit after taxation and retained profits
Renminbi	**2**	1
Euros	**(7)**	(3)
Japanese Yen	**(21)**	(5)
Pound Sterling	**(4)**	1

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 foreign 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 2012.

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(e) Fair value

(i) Financial instrument carried at fair value

The fair value of each financial instrument is categorised across three levels of the "fair value hierarchy" defined in HKFRS 13, 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 unadjusted quoted prices 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 and 2013, the outstanding foreign currency forward contracts, interest rate swaps and cross currency swap of the Group fall into Level 2.

(ii) Fair value measurements

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

– 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 interest bearing bank borrowings are reasonable estimation of their fair values.

– All financial instruments are carried at amounts not materially different from their fair values at 31 December 2012 and 2013 except for the amounts due from / to subsidiaries, fellow subsidiaries, associates, joint ventures 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.

Notes to the Financial Statements

32. COMMITMENT

(a) Capital commitments

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

	Group	
HK$ million	**2013**	2012
Contracted for		
- Capital expenditures	**127**	114
- Others	**31**	41
At 31 December	**158**	155
Authorised but not contracted for		
- Capital expenditures	**429**	327
- Others	**33**	267
At 31 December	**462**	594

(b) Operating lease commitments

The Group is the lessee in respect of various properties, plant and equipment held under operating leases. At 31 December 2013, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Group	
HK$ million	**2013**	2012
Within 1 year	**597**	528
After 1 year but within 5 years	**1,021**	1,046
After 5 years	**1,473**	1,222
At 31 December	**3,091**	2,796

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

33. CONTINGENT LIABILITIES

At 31 December 2013, 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

	2013		2012	
HK$ million	**Granted**	**Utilised**	Granted	Utilised
A joint venture	**250**	**168**	250	222
An associate	**16**	**16**	-	-
At 31 December	**266**	**184**	250	222

33. CONTINGENT LIABILITIES (CONTINUED)

(b) Company

HK$ million	2013 Granted	2013 Utilised	2012 Granted	2012 Utilised
Subsidiaries	**10,431**	**3,013**	10,034	3,011
A joint venture indirectly held by the Company	**250**	**168**	250	222
An associate indirectly held by the Company	**16**	**16**	-	-
At 31 December	**10,697**	**3,197**	10,284	3,233

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.

34. 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	2013	2012
Sales to joint ventures	**5**	203
Purchases from a joint venture	**103**	94
Purchases from associates	**223**	190
Rental expenses to fellow subsidiaries	**160**	132

Note:
Apart from the item 1 disclosed in the Report of the Directors under the section "Continuing Connected Transactions", all the material related party transactions disclosed above did not constitute non-exempt continuing connected transactions as defined in Chapter 14A of the Listing Rules.

34. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Non-recurring transactions

In September 2013, the Group acquired Gold Essence Group from a direct wholly owned subsidiary of CITIC Pacific at a consideration of HK$44 million. This constituted a non-exempt connected transaction as defined in Chapter 14A of the Listing Rules which is disclosed in the Report of the Directors under the section "Connected Transaction".

(c) 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 8 and 9 respectively. Total remuneration is included in "staff costs" (Note 6(b)).

(d) Operating lease commitments with fellow subsidiaries

Included in note 32(b) above, there are total future minimum lease payments on properties under non-cancellable operating leases with fellow subsidiaries which are payable as follows:

	Group	
HK$ million	**2013**	2012
Within 1 year	**166**	159
After 1 year but within 5 years	**72**	188
At 31 December	**238**	347

(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 material related party transactions.

35. ULTIMATE HOLDING COMPANY

At 31 December 2013, 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.

36. 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 (Engineering) Limited		Hong Kong	HK$155,100,000	-	100	Provision of engineering and repairs and maintenance services
Dah Chong Hong (Japan) Limited		Japan	JPY480,000,000	-	100	Investment holding; import and export of foodstuffs, motor vehicles and garments
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 (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 service and spare parts trading
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
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

36. 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	
Leo's Fine Food Company Limited		Hong Kong	HK$1,000,000	-	100	Food processing and trading
Premium Motors Limited		Hong Kong	HK$2	-	100	Motor vehicle dealer
Regal Motors, Limited		Hong Kong	HK$200,000	-	100	Motor vehicle distributor
Reliance Motors, Limited		Hong Kong	HK$3,000,000	-	100	Motor vehicle distributor
Sims Trading Company Limited		Hong Kong	HK$300,000	-	100	Wholesaling and distribution of fast moving consumer goods
Triangle Auto Pte Ltd		Singapore	SGD3,000,000	-	100	Motor vehicle distributor
Triangle Motors Limited		Hong Kong	HK$3,000,000	-	100	Motor vehicle distributor
Yee Lim Godown & Cold Storage Limited		Hong Kong	HK$1,000,000	-	100	Operation of dry and cold storage godown
佛山市合輝汽車銷售服務有限公司 (Foshan Hehui Motors Sale and Service Limited)	*(iii), (vii)*	PRC	RMB15,000,000	-	100	Motor vehicle 4S dealership
佛山駿安豐田汽車銷售服務有限公司 (Foshan Junan Toyota Motors Sale and Service Limited)	*(vi), (vii)*	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)	*(i), (vii)*	PRC	RMB20,250,000	-	100	Wholesaling and distribution of fast moving consumer goods
廣東駿佳汽車服務有限公司 (Guangdong Denker Motor Service Company Limited)	*(i), (vi), (vii)*	PRC	RMB50,000,000	-	49	Motor vehicle 4S dealership
廣東慎昌貿易有限公司 (Guang Dong Sims Trading Co., Ltd.)	*(i), (vii)*	PRC	RMB25,000,000	-	100	Wholesaling and distribution of fast moving consumer goods
廣東偉德利電器製造有限公司 (Guangdong Victory Electrical Appliances Manufacturing Co., Ltd.)	*(i), (vii)*	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), (vi), (vii)*	PRC	RMB30,000,000	-	49	Motor vehicle 4S dealership

36. 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	
廣州駿佳凌志汽車銷售服務有限公司 (Guangzhou Junjia Lexus Motors Sale and Service Limited)	*(ii), (iv), (vi), (vii)*	PRC	RMB30,000,000	-	27.5	Motor vehicle 4S dealership
廣州駿龍汽車有限公司 (Guangzhou Junlong Motors Limited)	*(i), (vi), (vii)*	PRC	RMB12,000,000	-	50	Motor vehicle 4S dealership
江門大昌慎昌食品加工倉儲有限公司 (Jiangmen Dah Chong Hong – Sims Food Processing and Warehousing Limited)	*(i), (vii)*	PRC	US$10,600,000	-	100	Provision of food products and logistics service
江門市合宏汽車銷售服務有限公司 (Jiangmen Hehong Motors Sale and Service Limited)	*(iii), (vii)*	PRC	RMB10,000,000	-	100	Motor vehicle 4S dealership
江門市合禮汽車銷售服務有限公司 (Jiangmen Heli Motors Sale and Service Limited)	*(i), (vii)*	PRC	RMB70,000,000	-	100	Motor vehicle 4S dealership
嘉興合信汽車銷售服務有限公司 (Jiaxing Hexin Motors Sale and Service Limited)	*(iii), (vii)*	PRC	RMB30,000,000	-	100	Motor vehicle 4S dealership
昆明合達汽車銷售服務有限公司 (Kunming Heda Motors Sale and Service Limited)	*(v), (vii)*	PRC	RMB200,000,000	-	100	Motor vehicle 4S dealership
昆明合運汽車貿易有限公司 (Kunming Heyun Motor Trading Co., Ltd.)	*(i)*	PRC	RMB150,000,000	-	100	Motor vehicle 4S dealership
昆明聯亞豐田汽車銷售服務有限公司 (Kunming Lianya Toyota Motor Sales and Services Co., Ltd)	*(i)*	PRC	RMB150,000,000	-	100	Motor vehicle 4S dealership
柳州市合隆汽車銷售服務有限公司 (Liuzhou Helong Motors Sale and Service Limited)	*(iii), (vii)*	PRC	RMB10,000,000	-	100	Motor vehicle 4S dealership
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)	*(i), (vi), (vii)*	PRC	RMB50,000,000	-	50	Motor vehicle 4S dealership
上海大昌行眾賓汽車銷售服務有限公司 (Shanghai Dah Chong Hong Zhongbin Motors Sale and Service Limited)	*(vii)*	PRC	RMB12,000,000	-	100	Motor vehicle 4S dealership

36. 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
上海大昌行食品工業有限公司 (Shanghai DCH Food Industries Ltd.)	(i)	PRC	US$4,770,000	-	100	Food processing and trading
上海滬昌汽車服務有限公司 (Shanghai Huchang Motor Service Co., Ltd.)	(i)	PRC	US$1,000,000	-	100	Motor vehicle repairing and servicing
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)	(i), (vi), (vii)	PRC	RMB21,500,000	-	50	Motor vehicle 4S dealership
上海慎昌貿易有限公司 (Shanghai Sims Trading Company Limited)	(i), (vii)	PRC	RMB25,000,000	-	100	Wholesaling and distribution of fast moving consumer goods
上海宏圖電器有限公司 (Shanghai Vision Electrical Appliances Co., Ltd.)	(ii), (vii)	PRC	RMB1,000,000	-	100	Trading of electrical appliances and audio-visual products
上海眾泰汽車銷售有限公司 (Shanghai Zhongtai Motor Sales Limited)	(vii)	PRC	RMB12,000,000	-	100	Motor vehicle 4S dealership
深圳市增特汽車貿易有限公司 (Shenzhen City Zengte Car Trading Co., Ltd.)	(iii), (vii)	PRC	RMB15,000,000	-	100	Motor vehicle 4S dealership
駿佳行汽車服務(深圳)有限公司 (Shenzhen Junjiaxing Motor Service Limited)	(i), (vi), (vii)	PRC	RMB20,000,000	-	49	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)	(vii)	PRC	RMB12,000,000	-	100	Motor vehicle 4S dealership
深圳市深業東本汽車銷售服務有限公司 (Shenzhen Shenye Dongfeng Honda Motors Sale and Service Limited)	(vii)	PRC	RMB10,000,000	-	100	Motor vehicle 4S dealership
深圳市深業汽車貿易有限公司 (Shenzhen Shenye Motors Trading Limited)	(vii)	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)	(vii)	PRC	RMB20,000,000	-	100	Motor vehicle 4S dealership

36. 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	
深圳市興業汽車有限公司 (Shenzhen Xingye Motors Limited)	*(vii)*	PRC	RMB20,000,000	-	100	Motor vehicle 4S dealership
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)	*(vii)*	PRC	RMB10,000,000	-	100	Motor vehicle 4S dealership
台北合迪汽車有限公司 (Taipei Premium Motors Limited)		Taiwan	NTD5,000,000	-	100	Motor vehicle 4S dealership
台北合眾汽車有限公司 (Taipei Triangle Motors Limited)		Taiwan	NTD200,000,000	-	100	Motor vehicle 4S dealership
合眾汽車銷售服務(中國)有限公司 (Triangle Motor Sales and Services (China) Co., Ltd.)	*(i)*	PRC	RMB150,000,000	-	100	Motor vehicle 4S dealership
悅昌(上海)電器有限公司 (YueChang (Shanghai) Electrical Appliances Company Limited)	*(i), (vii)*	PRC	RMB20,000,000	-	100	Trading of electrical appliances and audio-visual products
雲南奧昌汽車銷售服務有限公司 (Yunnan Aochang Motors Sale and Service Limited)	*(iii), (vii)*	PRC	RMB15,000,000	-	100	Motor vehicle 4S dealership
雲南聯迪汽車服務有限公司 (Yunnan Liandi Motors Service Limited)	*(iii), (vii)*	PRC	RMB10,000,000	-	100	Motor vehicle 4S dealership
雲南中馳汽車銷售服務有限公司 (Yunnan Zhongchi Motor Sales and Services Co., Ltd.)	*(i)*	PRC	RMB150,000,000	-	100	Motor vehicle 4S dealership
湛江市駿浩汽車有限公司 (Zhanjiang Junhao Motors Limited)	*(i), (vii)*	PRC	RMB150,000,000	-	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)	*(vii)*	PRC	RMB6,000,000	-	100	Motor vehicle 4S dealership
浙江合賓汽車銷售服務有限公司 (Zhejiang Hebin Motors Sale and Service Limited)	*(vii)*	PRC	RMB10,000,000	-	100	Motor vehicle 4S dealership

36. 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 power over the OPCOs, with exposure or rights to variable returns from its involvement with the OPCOs and the ability to affect the amount of those returns. 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 Sino-Foreign Equity Joint Venture.

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

(vi) The Group has an overriding casting vote at the board meeting of the intermediate holding company of this entity and the Group has power over this entity, with exposure or rights to variable returns from its involvement with this entity and the ability to affect the amount of those returns. Accordingly, it has been accounted for as a subsidiary.

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

Major Properties Held by the Group

As at 31 December 2013

Address / Lot no.	Leasehold expiry	Group's interest %	Approximate gross floor area / Approximate saleable area* (sq. m.)	Existing use
Major Properties Held For Investment				
1. Ground, 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
2. 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*	Shop
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
4. Haiwang Hatchery Plant at Haiwang Village, Huinan Town, Pudong New District, Shanghai, The People's Republic of China	2048	100	2,053	Industrial
5. Xing Guang Farm, Xingguang Village, Zhuqiao Town, Pudong New District, Shanghai, The People's Republic of China	2048	100	6,041	Industrial

Major Properties Held by the Group

As at 31 December 2013

Address / Lot no.	Leasehold expiry	Group's interest %	Approximate gross floor area / Approximate saleable area* (sq. m.)	Existing use
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, 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
9. Dah Chong No. 1 Building, 12-6, Roppongi, 3-chome, Minato-ku, Tokyo, Japan	Freehold	100	3,208 plus 36 area for parking	Commercial
10. Dah Chong No. 2 Building, 18-2, Roppongi, 5-chome, Minato-ku, Tokyo, Japan	Freehold	100	1,405	Commercial / office

Major Properties Held by the Group

As at 31 December 2013

Address / Lot no.	Leasehold expiry	Group's interest %	Approximate gross floor area / Approximate saleable area* (sq. m.)	Existing use
11. Land No. 346-22, Azateradani, Hino-Cho, Nishiwaki-shi, Hyogo Prefecture, Japan	Freehold	100	6,300 (land)	Vacant site
12. Land No. 689, Azazendana, Higashiodaka, Isumi-shi, Chiba Prefecture, Japan	Freehold	100	509 (land)	Vacant site
13. Land No. 692, Azazendana, Higashiodaka, Isumi-shi, Chiba Prefecture, Japan	Freehold	100	694 (land)	Vacant site

Major Properties Held by the Group

As at 31 December 2013

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. 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

Major Properties Held by the Group

As at 31 December 2013

Address / Lot no.	Leasehold expiry	Group's interest %	Approximate gross floor area / Approximate saleable area* (sq. m.)	Existing use
5. 12th Floor, Union Park Centre, 771-775 Nathan Road, Mong Kok, Kowloon, Hong Kong 493/10,000th shares of and in the Remaining Portions of KIL Nos. 2570, 2571 and 2572	2080	100	272*	Office
6. 67–73 Fuk Hi Street, Yuen Long Industrial Estate, Yuen Long, New Territories, Hong Kong Subsections 1 and 2 of Section A of Yuen Long Town Lot No. 313 and Extensions Thereto and Section O of YLTL No. 313 and Extensions Thereto	2047	100	41,838	Logistics and food processing complex
7. 8th Floor, Remex Centre, 42 Wong Chuk Hang Road, Aberdeen, Hong Kong 45/965th shares of and in Aberdeen Inland Lot No. 367	2049	100	979	Food processing
8. Private Car Parking Space No. 46 on 4th Floor, Kingley Industrial Building, 33–35 Yip Kan Street, Wong Chuk Hang, Hong Kong 3/9,970th shares of and in Aberdeen Inland Lot No. 396	2053	100	1 car parking space	Car parking

Major Properties Held by the Group

As at 31 December 2013

Address / Lot no.	Leasehold expiry	Group's interest %	Approximate gross floor area / Approximate saleable area* (sq. m.)	Existing use
9. 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
10. Lot T10-1, No. 13, Yingang Avenue, Huicheng, Xinhui District, Jiangmen, Guangdong Province, The People's Republic of China	2055	100	13,258	Storage and car parking
11. 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
12. 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
13. Lot T7-6, No. 28, Yinzhou Avenue, Huicheng, Xinhui District, Jiangmen, Guangdong Province, The People's Republic of China	2054	100	8,378	Warehouse

Major Properties Held by the Group

As at 31 December 2013

Address / Lot no.	Leasehold expiry	Group's interest %	Approximate gross floor area / Approximate saleable area* (sq. m.)	Existing use
14. 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
15. 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
16. Lot No. T-10-2, No. 2 Fuhuei Road Jhih Yi, Xinhui District, Jiangmen, Guangdong Province, The People's Republic of China	2055	100	9,995	Warehouse
17. 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
18. No. 51 Wanbao South Street, Zhong Cun Jie, Panyu District, Guangzhou City, Guangdong Province, The People's Republic of China	2046	100	6,939	Cold storage and office

Major Properties Held by the Group

As at 31 December 2013

Address / Lot no.	Leasehold expiry	Group's interest %	Approximate gross floor area / Approximate saleable area* (sq. m.)	Existing use
19. No. 522 Bailong Road, Yunshan Village, Jinma Town, Guandu District, Kunming, Yunnan Province, The People's Republic of China	2045	100	6,961	4S shop
20. 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
21. No. 258 Nangang Gong Road, Huinan Town, Pudong New District, Shanghai, The People's Republic of China	2048	100	9,696	Office
22. No. 1 Yanda Road (San Zhou Section), Lunjiao Town, Shunde District, Foshan City, Guangdong Province, The People's Republic of China	2054	100	116,154 (site area: 190,950)	Industrial
23. 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
24. 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

Major Properties Held by the Group

As at 31 December 2013

Address / Lot no.	Leasehold expiry	Group's interest %	Approximate gross floor area / Approximate saleable area* (sq. m.)	Existing use
25. (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
26. The southeast corner of Intersection of the No. 329 National Road and Tanggong Road, Paojiang Industrial Zone, Yuecheng District, Shaoxing City, Zhejiang Province, The People's Republic of China	2046	100	6,981	4S shop
27. Land No. 712-2, Zi Wu Road, Qu Jing City, Yunnan Province, The People's Republic of China	2047	100	3,900	4S shop
28. 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
29. 9 She, Lijiatuo, Chi Lung Chuen, Banan District, Chongqing, The People's Republic of China	2047	100	4,221 (land)	Site for 4S shop
30. 9 and 11 She, Lijiatuo, Chi Lung Chuen, Banan District, Chongqing, The People's Republic of China	2047	100	8,346 (land)	Site for 4S shop

Major Properties Held by the Group

As at 31 December 2013

Address / Lot no.	Leasehold expiry	Group's interest %	Approximate gross floor area / Approximate saleable area* (sq. m.)	Existing use
31. Level 6, No. 1265 Chang De Road, Putuo District, Shanghai, The People's Republic of China	2046	71	832	Office
32. 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
33. 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
34. 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
35. 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

Major Properties Held by the Group

As at 31 December 2013

Address / Lot no.	Leasehold expiry	Group's interest %	Approximate gross floor area / Approximate saleable area* (sq. m.)	Existing use
36. 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
37. Whole Single Storey Block, No. 357 Ji Zhan Road, Shanghai, The People's Republic of China	2056	100	22,109	Warehouse
38. Portion of Dah Chong No. 2 Building, 18-2, Roppongi 5-chome, Minato-ku, Tokyo, Japan	Freehold	100	1,013	Office
39. 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
40. 259 Pandan Loop, Singapore 128435 Lot No. 4009A (JTC Pte Lot A14379) Mukim 5	2042	100	1,138	Cold store

Major Properties Held by the Group

As at 31 December 2013

Address / Lot no.		Leasehold expiry	Group's interest %	Approximate gross floor area / Approximate saleable area* (sq. m.)	Existing use
Major Property Held For Sale					
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.	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

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

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

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

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

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

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

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

Corporate Information

Headquarters and Registered Office

8th Floor, DCH Building
20 Kai Cheung Road
Kowloon Bay, Hong Kong
Telephone: 2768 3388
Fax: 2796 8838

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

(Our Share Registrar will move to the following new address with effect from 31 March 2014:
Level 22, Hopewell Centre
183 Queen's Road East, Hong Kong)

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:	8 May 2014 to 12 May 2014
For ascertaining shareholders' entitlement to the Final Dividend:	19 May 2014 to 21 May 2014
Annual General Meeting:	12 May 2014 10:30 a.m. Harcourt & Nathan Room Lower Lobby Conrad Hong Kong Pacific Place 88 Queensway Hong Kong
Final Dividend payable:	6 June 2014

Annual Report 2013

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 and change their preference by writing to the Company's Share Registrar. Shareholders having difficulty in gaining access to the document will promptly be sent printed copies free of charge upon request to the Company's Share Registrar.

Non-registered shareholders wish to receive a printed copy of our Annual Report are requested to write to the Corporate Communications Department, Dah Chong Hong Holdings Limited, 8th Floor, DCH Building, 20 Kai Cheung Road, Kowloon Bay, Hong Kong, or by fax: 2562 6751 or by email: contact@dch.com.hk.

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