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

Stock Code: 01828

Vitality and Professionalism

Our China Momentum

2014 ANNUAL REPORT

Vitality • Professionalism

Our China Momentum

Dah Chong Hong Holdings Limited ("DCH" or "the Group") is a business conglomerate with strong foothold in the consumer market in the Greater China, Singapore and Japan. It has a diversified business portfolio with core businesses in Motor and Motor Related Business, as well as Food and Consumer Products Business which are supported by our logistics services. The Greater China market will continue to be our focus while we are also exploring opportunities to expand our business into the Indochina market. We will capitalise on our solid foundations and extensive distribution networks to sustain our business growth, generating remarkable contributions to the Group and our shareholders.

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FINANCIAL HIGHLIGHTS

For the year (HK$ million)	2014	2013
Turnover	**46,489**	42,261
Profit from operations	**1,405**	1,453
Profit attributable to shareholders	**750**	901
Segment profit after taxation		
Motor and Motor Related Business	**904**	912
Food and Consumer Products Business	**268**	254
Other Business	**55**	61

At year end (HK$ million)	2014	2013
Total debt	**8,661**	7,424
Cash and bank deposits	**1,493**	2,173
Net debt	**7,168**	5,251
Shareholders' funds	**9,322**	8,994
Total capital	**16,490**	14,245
Capital employed	**17,983**	16,418
Net gearing ratio	**43.5%**	36.9%

For the year (HK cents)	2014	2013
Basic earnings per share	**40.94**	49.21
Diluted earnings per share	**40.94**	49.15
Dividend per share		
Interim	**9.30**	8.68
Final	**6.60**	10.72
Total	**15.90**	19.40

Zhang Jijing
Chairman

"We will continue our devoted efforts in implementing our five-year plan to sustain the long-term growth of DCH and to create value for our shareholders."

Dear Shareholders,

2014 was a challenging year for DCH. Overall turnover increased by 10.0% to HK$46,489 million and most businesses of the Group achieved a good growth on track with our five-year plan. But profit attributable to shareholders declined by 16.8% to HK$750 million due to the profit erosion of our Motor Business segment in the PRC and other exceptional items. Basic earnings per share were down 16.8% to 40.94 HK cents. The Board of Directors of DCH has proposed the payment of a final dividend of 6.60 HK cents per share (2013: 10.72 HK cents per share), along with an interim dividend of 9.30 HK cents per share already paid, bringing the full year's dividends to 15.90 HK cents per share (2013: 19.40 HK cents per share).

MOTOR AND MOTOR RELATED BUSINESS

Mainland China

The PRC motor market has been growing at a lower rate than the automobile industry has planned in the last few years. The additional production capacity completed in recent years has led to an imbalance of supply and demand in the market. Coupled with the aggressive dealer network expansion by car makers causing an unhealthy competition in the market, most 4S shop operations suffered losses.

DCH could not be immune from this macro business environment and recorded a drop in segment results in 2014 amidst achieving a satisfactory growth in car sales. Despite this short-term depression in the market, I am still confident in our Motor Business and the Group will continue to invest in this segment. We believe the PRC motor market will keep growing in the next few years despite the recent implementation of vehicle restriction policies in some cities. In fact, experience shows that these policies will affect mostly the entry car brands and might have little impact on our portfolio comprising of mid-to-high-end brands.

We will further expand our network through merger and acquisition ("M&A") and maintain our strategy of slowing down the pace of opening new greenfield shops. The strategy has not only reduced our start-up expenses in 2014 but also provided us with more resources to expand the dealership network in the coming years through M&A in the wake of the consolidation in the motor industry. Our cooperation with our strategic partner car makers has been successful. They have been recently focusing more on working closely with major dealership groups and supporting them in the network expansion and sales activities. DCH, as an experienced and professional dealer, should benefit from this new development.

We see other opportunities in the value chain of the Motor Business and we have completed the necessary preparations to operate the national auto insurance agency and finance lease businesses which have significant growth potential for the Group. Upon the completion of the new regulations revision by the PRC Government, we would expand full business coverage to all regions.

I believe we have a solid foundation in the Motor Business in mainland China. The short-term consolidation in the market will provide us with an opportunity for strengthening our position in the automobile industry to deliver a greater long-term contribution to the Group.

Hong Kong

Our Motor Business in Hong Kong achieved encouraging results in 2014 as we were well prepared to capture the business opportunities arising from the HKSAR Government's ex-gratia payment scheme (the "Scheme") to replace aged diesel commercial vehicles. The Scheme will last until the end of 2019 and we expect the sales of commercial vehicles will remain strong in the next few years. As the leading commercial vehicle distributor in Hong Kong, we are striving to enhance the contribution from this segment.

As a listed company and a prominent motor group in Hong Kong, we have been working closely with the community to provide suitable motor products to elevate the standard of living of the public. In 2015, DCH will introduce a new taxi model, the *Nissan NV200*, which can provide safe and efficient transportation to passengers including people with limited mobility. We are devoted to promoting "green" driving for better air quality and we are the largest supplier of electric buses and vehicle emission reduction devices in Hong Kong. The Group is exploring further business opportunities in these areas where we would fulfill our corporate social responsibility by offering products to serve the community and at the same time, create new income streams in the future.

The Hong Kong motor market will benefit from strong commercial vehicle sales in the next few years. We expect that we will be able to maintain our contribution from this segment but need to overcome several challenges in the industry including the shortage of skilled labour and the lack of suitable space for service outlets.

Other Markets

Our commercial vehicle business in Taiwan has been progressing well. With the semi-knock down factory in Taichung commencing operation in the fourth quarter of 2014, the Group has elevated to a higher position in our Motor Business value chain and has prepared ourselves to further our development in this business.

The Motor Business in Singapore has recorded a remarkable growth as the market continued to expand. We are exploring other opportunities to enrich our motor portfolio by introducing other motor related businesses and products to meet the demand in the Singapore market.

Contribution from this segment is expected to gradually increase when the commercial vehicle businesses in both Taiwan and Singapore markets become more established. However, in view of the challenging environment of the Taiwan passenger car market, we are reviewing our strategy in this area to enhance its contribution to the Group.

FOOD AND CONSUMER PRODUCTS BUSINESS

Mainland China

In 2014, the slower economic growth and sluggish gift market continued to affect the overall business environment and hinder the performance of our Food and Consumer Products Business in mainland China. The decrease in consumer spending together with drop in sales of trendy electronic products affected the segment turnover which recorded an increase of just 13.7%. Despite this, we believe that the high growth of the food and consumer products markets in mainland China would continue as people aspire to a higher standard of living and we shall no doubt benefit from this trend through our solid countrywide distribution infrastructure. Our brand and regional sales management structure set up in 2014 has worked well to strengthen our relationship with principals, introduce new products and promote closer connection with customers in different sales channels and cities. This in turn enabled us to realise our product, geographic and channel expansion strategy formulated by the Group in our five-year plan.

The strong growth of e-commerce business in mainland China nevertheless has impacted the traditional sales network and should not be overlooked. The growth in our sales to the e-shops in 2014 was significant. We expect this to continue at a fast pace and we shall endeavour to source more products suitable for this new channel.

Despite the tremendous increase in the e-shop business, the traditional retail sector would remain as the largest in our portfolio of midstream business. We have enhanced our business through geographic expansion, product category extension and channel diversification. To further bolster our business, we have been working closely with major modern trade retail channels by providing full-support services to meet their goods supply needs. We are leveraging our global sourcing capabilities, established cold chain facilities, smooth import process and our brand and regional sales management structure to provide one-stop trading and logistics solutions to international modern trade retail operators. These solutions include the supply of imported products, cold chain logistics and cross docking services, local food processing and packing services, etc. These new services would bring significant business to the Group and secure our long-term relationship with modern trade retailers which would not be easily replaced.

In view of the vast market potential of the food and consumer products in mainland China, we would keep exploring the opportunities of acquiring distributors, wholesalers and logistics service providers to expand our coverage geographically, as well as in new product categories and channels. We believe that the business has great potential for high growth and to make a good and stable contribution to the Group in the years to come.

Hong Kong

The Hong Kong food market has been stable and the Group has established in the last few decades a comprehensive business platform including upstream food processing, midstream trading and distribution and downstream retail supported by in-house professional logistics services. In 2014, we continued to grow the business mainly in the distribution of agency food products and frozen commodities. We have earned high confidence from our principals and expect that the business will maintain a steady growth through the expansion of product categories. Nevertheless, the retail business has been adversely affected by intense competition, high rentals for retail space and labour shortages.

For consumer products, the Group has strengthened its market position in the electrical and home appliance product segment in Hong Kong by acquiring a 70% equity interest of *Gilman Group*, a reputable home electrical appliances company in Hong Kong. The acquisition is complementary to the Group’s existing consumer products business, enhancing our operating efficiency and competitive edge to meet the upcoming demand for home appliances with the increase in supply of residential properties in the next few years. In addition, it will further pave the way for the development in the PRC and the Indochina regions.

Brand Strategies

In terms of house brand development which is to secure our long-term value in the midstream business and profit margin, our *Cheer* and *Del Leche* brands have recorded substantial growth during the year through expanding our distribution networks. We are investing further to broaden our product range and extend sales channel penetration for our house brand products.

Logistics Strategies

With the rising demand for cold chain logistics services, we will expand the coverage of our logistics services in major cities of mainland China to support expansion of our Food Business as well as serving the increasing demand from external customers. This is in line with our strategy of cooperating with modern trade retail channels to grow the Food Business in mainland China.

NEW BUSINESS DEVELOPMENT

Marching into the Dynamic E-Shopping Arena

The e-commerce channel has expanded swiftly in recent years and has accounted for an increasingly important portion of total retail sales in mainland China. In view of this, DCH has used the newly established legitimate cross-border internet import channel in the Shanghai Free Trade Zone as a stepping stone to enter the e-shopping market. Our platform *DCHnYOU 大昌優品 (www.dchnu.com)*, which rides on our strong capabilities in sourcing genuine overseas products, long-established goodwill with more than 65 years of experience and the highly respected CITIC brand, is being developed to supply imported premium goods to consumers in mainland China legitimately and cost-effectively. We believe our new channel will gain a competitive edge in the market to share the success in the e-commerce era.

Sailing to the Pleasure Boat Market

Foreseeing the potential in pleasure boats for both business and leisure in mainland China, the Group has embarked on the distribution of *Princess* motor yachts imported from the United Kingdom to capture this rising business opportunity through leveraging our long-standing customer relationships and business expertise in the super luxury car segment.

NEW MARKET PENETRATION TO INDOCHINA REGION

Apart from the Greater China region, DCH has been looking for new markets as a growth driver for our business. With our expertise in the motor, food and consumer products businesses, we are now entering the Myanmar market as a springboard for further expanding our business to other Indochina countries. We shall bring to these developing areas our wealth of professionalism and experience together with our well-established connections with major principals in motor, food and consumer products. We shall also explore the potentials in the export business of products from these countries.

As a start, we have the *Isuzu* and *FAW* motor business in Myanmar and we will continue to seek for increasing the export of seafood from there. We believe tapping the fast economic growth in the area would provide the Group with a long-term and stable profit contribution.

FINANCIAL POSITION

Our net gearing ratio has further increased to 43.5% by the end of 2014 with the increase in short-term RMB borrowing towards the end of the year to fund the increase in inventory. We believe the stock level would be reduced after the year end. The Group continued to generate strong cashflow from operations to cover our capital expenditures, new investment and working capital requirements and to maintain a stable dividend policy. With our solid financial strength, DCH is well positioned to seize good opportunities in the market that are strategically aligned with our business.

CONCLUSION

DCH has established itself as a trustworthy brand which distributes quality products and offers professional services in Hong Kong over the past few decades. We will continue to build the reputable DCH brand in the Greater China region through enhanced brand management strategies.

DCH is leveraging our close relationship with the CITIC Group to create synergies for mutual benefit. CITIC Group has a widely diversified business portfolio and we have started projects in collaboration with their business units. Through their extensive channels and platforms, DCH would be able to reach more potential customers in the region.

On behalf of the Board, I would like to express my gratitude to our team of talented and loyal employees for their dedication and hard work. I would also like to thank our Board members for their guidance and our investors for their trust.

We will continue our devoted efforts in implementing our five-year plan to sustain the long-term growth of DCH and to create value for our shareholders.

Zhang Jijing
Chairman
Hong Kong, 27 February 2015

MOTOR AND MOTOR RELATED BUSINESS

- Overall segment turnover recorded a steady growth of 10.4% while segment result from operations decreased by 6.8%.
- In mainland China, segment turnover increased by 11.0% whereas segment result from operations decreased by 36.3%.
- In Hong Kong and Macao, segment turnover increased by 13.3% and segment result from operations increased by 16.8%.
- For other markets, segment turnover decreased by 3.6% yet segment result from operations increased significantly by 53.8%.

Mainland China

- Segment result from operations was adversely impacted by unhealthy competition in the market and start-up expenses for new 4S shops.
- The overall motor market grew by 6.9% in 2014. DCH outperformed the market with unit sales growth of 14.9%, around 97,200 units sold.
- Same-store unit sales grew by 9.3% and same-store service volume was down by 1.2%.
- The number of 4S shops and showrooms increased to 79 and 15 respectively. A total of 11 greenfield projects are currently in the pipeline, including six 4S shops and five showrooms.
- In 2014, DCH was awarded the "Outstanding Dealer Group" (優秀集團獎) by *FAW Toyota*.
- PRC vehicle stock increased temporarily by the end of the year to meet the market demand.

Hong Kong and Macao

- DCH achieved an above-market performance by selling around 14,800 units, a 15.2% growth.
- DCH's market share in Hong Kong was up by 1.8-percentage-points to 22.6%.
- DCH remained as the market leader in the truck and bus segment.
- Commercial vehicle business recorded a robust growth of 53.9% as a result of higher replacement demand under the HKSAR Government's ex-gratia payment scheme.

Other markets

- Segment turnover in 2014 decreased by 3.6% with the discontinuation of the dealership business in Canada since June 2013.
- We continued to achieve an outstanding performance in Taiwan with 22.7% growth in total unit sales of commercial vehicle and passenger car. The *Isuzu* semi-knock down assembly plant in Taichung commenced production in December 2014.
- In Singapore, DCH also recorded a 11.6% growth in the unit sales.

FOOD AND CONSUMER PRODUCTS BUSINESS

- Overall segment turnover achieved a healthy growth of 8.8%.
- In mainland China, segment turnover grew by 13.7%. However, segment result from operations fell by 55.6% due to keen competition in the sluggish gift market, the drop in contribution from trendy electronic products and set-up cost of new logistics facilities.
- In Hong Kong and Macao, segment turnover grew by 8.5% while segment result from operations rose by 0.7%, with the increase in profitability of food commodity and FMCG businesses partly offset by the drop in the profitability of retail business.

Mainland China Food Business

- DCH achieved a healthy sales growth of 20.8% for FMCG business through product category extension, geographic expansion and channel diversification under the regionalisation strategy.
- Dairy, snacks and beverage products performed very well with strong growth of 28.2%, 25.8% and 25.8% respectively.
- The sales performance of *Del Leche*, our dairy house brand, was almost tripled in mainland China.

Hong Kong and Macao Food Business

- FMCG business delivered a strong sales growth of 17.2%, driven by product category and sales channel extension.
- Turnover of food commodity business rallied by 16.5% mainly contributed by frozen meat products.
- Our house brand, *Cheer*, recorded a significant sales growth of 57.5%.
- The retail business experienced a drop in profitability with total sales slightly decreased by 1.6% coupled with the increase of rental and labour costs.

Consumer Products Business

- Recorded a 32.4% decrease in overall sales, mainly affected by the decline of sales in trendy electronic headphone products in both mainland China and Hong Kong markets.
- In January 2015, DCH acquired a 70% equity interest of *Gilman Group* to further strengthen DCH's electrical and home appliances business and enlarge our market share in this segment.

Logistics Business

- Achieved a strong sales growth of 24.5%.
- The cold chain logistics operations in Guangzhou and the repacking center in Shanghai commenced operations in 2013 and brought favourable sales contribution in 2014. The multi-temperature distribution centers in Kunming and Xiamen also commenced operations in the second half of 2014 to widen our service coverage.
- We have provided repacking, freight forwarding, importation and other value-added services to major modern trade retail channels to meet their goods supply needs, while also offered repacking services for confectionery products.

E-COMMERCE BUSINESS

- *DCHnYOU 大昌優品 (www.dchnu.com)* has been launched in the fourth quarter of 2014, offering quality imported products from overseas through the newly established legitimate channels in Shanghai and Guangdong.

PLEASURE BOAT BUSINESS

- DCH has embarked on the distribution of *Princess* motor yachts imported from the United Kingdom to capture the rising business opportunity in mainland China.

NEW MARKET PENETRATION TO INDOCHINA REGION

- To explore the Indochina market, we have the *Isuzu* and *FAW* motor business in Myanmar as a start. We will continue to seek for increasing the export of seafood from there.

BUSINESS REVIEW AND OUTLOOK

Operating Results

For the year ended 31 December 2014, the Group recorded a turnover of HK$46,489 million, an increase of 10.0% against last year (2013: HK$42,261 million). Profit attributable to shareholders decreased by 16.8% to HK$750 million (2013: HK$901 million) with the drop in profit from the PRC businesses and other exceptional items. The adjusted net profit for the year, after excluding the non-operating items, amounted to HK$730 million, a drop of 17.9% when compared with HK$889 million last year.

TURNOVER OF THE GROUP

46,489 HK$ m

PROFIT
FROM OPERATIONS
1,405 HK$ m

MOTOR AND MOTOR RELATED BUSINESS

- Segment turnover of Motor and Motor Related Business in 2014 was HK$36,027 million, increased by 10.4%.
- Segment result from operations was HK$1,104 million, decreased by 6.8%.
- Segment margin was 3.1%, dropped by 0.5-percentage-point.


Audi A8L
JUKE

MOTOR AND MOTOR RELATED BUSINESS

MAINLAND CHINA

- Segment turnover for the PRC Motor Business in 2014 was HK$27,353 million, increased by 11.0%.
- Segment result from operations was HK$380 million, decreased by 36.3% with the impact of unhealthy competition in the market and start-up expenses for new 4S shops.
- Segment margin was 1.4%, decreased by 1.0-percentage-point.
- Overall motor market: 23.5 million units sold, expanded by 6.9%.
  - Passenger car market: 19.7 million units sold, increased by 9.9%.
  - Commercial vehicle market: 3.8 million units sold, decreased by 6.5%.
- DCH achieved an above-market unit sales growth of 14.9%, with around 97,200 units sold.
  - Passenger cars: around 90,700 units sold, up by 16.9%.
  - Commercial vehicles: around 6,500 units sold, down by 6.5%.
- Dealership business achieved a new car sales volume growth of 16.5% and after-sales service volume rose by 3.3%.
- Dealership revenue achieved a growth of 11.9%. Same-store unit sales increased by 9.3% while same-store service volume was down by 1.2%, attributable to the cannibalisation effect of new shops.
- By the end of 2014, the number of our 4S shops increased to 79. Four new greenfield shops were opened, one was acquired, while one was discontinued during the year. The number of showrooms increased to 15 with five shops opened during the year.

- The car rental business has been expanded to Ningbo and Kunming in 2014, covering 15 cities in mainland China. The Group will continue to expand the car rental business to more PRC cities to further realise the value of our motor dealership network.
- The lubrication oil blending business achieved about 30% growth in sales in 2014. With the continued significant growth in sales of mid-to-high-end products, profitability also rose during the year.
- In 2014, we were awarded the "Outstanding Dealer Group" (優秀集團獎) by *FAW Toyota*. Other major awards and achievements included:

Brand	Award	4S Shop
Bentley	Best Sales Performance Award (最高零售銷量獎)	Shanghai DCH Zhongbin, first runner-up, national
DF Honda	Platinum Key Award (白金鎖匙特約店)	Shenye DF Honda, ranked 9th nationally
	Golden Key Award (黃金鎖匙特約店)	Zhanjiang Herong
DF Nissan	Nissan Global Award (全球優秀經銷商獎)	Shanghai Zhongtai
FAW Audi	Best Sales Performance Award (最佳銷售業績獎)	Shenzhen Zengte
	Outstanding Team Award (傑出團隊獎)	Yunnan Liandi
FAW Toyota	Best Performance Award, National Ranking (綜合優秀金牌店，全國排名)	Shenye FAW Toyota, champion Zhanjiang Junhua, second runner-up Xingye FAW Toyota, ranked 6th Guangzhou Guangbao, ranked 7th Shenye Longhua, ranked 8th
	National Sales Champion (銷售量全國排名第一)	Shenye FAW Toyota
GAC Honda	Excellent Dealer Award (優秀經營店)	Guangzhou Hejun Shenye GAC Honda
	Excellent Sales Award (優秀銷售服務店)	Xingye GAC Honda
Maserati	Best Dealer Award (最佳經銷商)	Shenzhen Junjiaxing

Outlook

- It is estimated that the overall China motor market will grow by around 7% in 2015.
- We expect the margin for new car sales will improve in 2015 as car manufacturers are becoming more realistic on the overall market growth.
- Preparation for national auto insurance agency and finance lease business has been completed. Upon the completion of the new regulations revision by the PRC government, we would expand full business coverage to all regions in 2015.
- Car manufacturers have been focusing more on working closely with major dealership groups and supporting them in the network expansion and sale activities and DCH will benefit from this new development.
- Currently we have 11 greenfield projects in the pipeline including six 4S shops and five showrooms. Our network expansion strategy will focus on opening greenfield shops for our strategic partners as well as searching for the right M&A opportunities.

HONG KONG AND MACAO

- Segment turnover for the Motor Business in Hong Kong and Macao in 2014 was HK$6,602 million, increased by 13.3%.
- Segment result from operations was HK$564 million, increased by 16.8%.
- Segment margin was 8.5%, increased by 0.2-percentage-point.
- Overall Hong Kong motor market: around 56,200 units sold, expanded by 11.7%.
  - Passenger car market: around 38,900 units sold, increased by 1.9%.
  - Commercial vehicle market: around 17,300 units sold, increased by 42.3%.
- DCH sold around 14,800 units, increased by 15.2%.
  - Passenger car: around 9,900 units sold, increased by 2.5%.
  - Commercial vehicle: around 4,900 units sold, increased by 53.9%.
- The Hong Kong motor market growth was mainly driven by the commercial vehicle market with the replacement demand stimulated by the HKSAR Government's ex-gratia payment scheme for the replacement of aged diesel commercial vehicles.
- DCH's unit sales outperformed the Hong Kong market in both the commercial vehicle and passenger car segments.
- DCH's market share in Hong Kong increased by 1.8-percentage-points to 22.6%. We continued to maintain a leading market share in the Hong Kong truck and bus segment.
- A new commercial vehicle service center in San Tin has commenced operation in September 2014 enabling us to fully accommodate the increase in after-sales service demand in the future.
- We are the largest supplier of vehicle emission reduction devices in Hong Kong, supplying selective catalytic reduction devices and diesel particulate filters' devices to franchised bus companies for better air quality in the city.
- As a pioneer in promoting "green" driving, DCH has increased the sales of electric buses to various public and private organisations in 2014.

Outlook

- We expect the Hong Kong motor market to remain a steady growth in 2015. DCH will continue to benefit from the strong commercial vehicle replacement demand driven by the government's ex-gratia payment scheme. Yet, the possible increase of first registration tax anytime and the abolishment of all environment-friendly passenger vehicles tax exemption on petrol passenger cars will have short-term effect on our passenger car sales in 2015.
- We will continue to develop more environment-friendly motor products by supplying more electric buses and vehicle emission devices. DCH will also deliver a new generation taxi, the *Nissan NV200*, in 2015 to provide efficient transportation to passengers including people with limited mobility.
- *Bentley* is in the process of setting up importership business in Hong Kong and DCH will remain as a dealer under this arrangement.

OTHER MARKETS

- Segment turnover in 2014 was HK$2,072 million, decreased by 3.6% with the discontinuation of the dealership business in Canada since June 2013.
- Segment result from operations was HK$160 million, increased by 53.8% with encouraging growth of commercial vehicle business in Taiwan and Singapore.
- Segment margin was 7.7%, increased by 2.9-percentage-points.
- Taiwan
  - DCH continued to achieve an encouraging performance with total unit sales growth of 22.7% in commercial vehicle and passenger car in 2014.
  - The semi-knock down assembly plant in Taichung has commenced operations in assembling *Isuzu* commercial vehicles in December 2014.
- Singapore
  - Unit sales in Singapore increased by 11.6% in 2014, resulting from the greater demand triggered by infrastructure projects and the Government's environmental policy of encouraging the replacement of aged diesel vehicles.

Outlook

- In Taiwan, more product models of commercial vehicle will be introduced with the full operation of the semi-knock down assembly plant, further enhancing our commercial vehicle business in 2015. In view of the challenging environment of the Taiwan passenger car market, we are reviewing our strategy in this area to enhance profitability.
- In Singapore, we expect the commercial vehicle business will remain strong and we are exploring other opportunities to enrich our motor portfolio by introducing other motor related business and products to the market.

FOOD AND CONSUMER PRODUCTS BUSINESS

- Segment turnover reached HK$10,445 million, grew by 8.8%.
- Segment result from operations reached HK$329 million, improved by 1.5%.
- Segment margin was 3.1%, down by 0.3-percentage-point.

Fruit Tree
Guava
with Pear Bits
Fruit Tree
100%

FOOD AND CONSUMER PRODUCTS BUSINESS

MAINLAND CHINA

- Segment turnover amounted to HK$4,460 million, representing an improvement of 13.7%.
- Segment result from operations was HK$52 million, decreased by 55.6% with keen competition in the sluggish gift market, the drop in contribution from trendy electronic products and set-up cost of new logistics facilities.
- Segment margin declined by 1.8-percentage-points to 1.2%.

Food Business

A. FMCG

- The Group continues to expand its brand portfolio, geographical coverage and channel penetration under its regionalisation strategy and achieved healthy sales growth of 20.8%.
- Dairy products: turnover recorded a 28.2% increase with strong sales momentum of liquid milk products and infant milk formula.
- Snacks: turnover grew by 25.8% with an encouraging sales contribution from expanded distribution of mooncakes and newly acquired biscuits and chips products.
- Beverages: turnover increased by 25.8% as a result of favourable sales of functional drinks.
- Confectionery: turnover grew 11.8% mainly due to improved sales of chocolate items for daily consumption.

- The sales performance of *Del Leche*, the Group's dairy house brand, was almost tripled attributable to the expansion of sales and distribution channels in both retail and food service segments.
- In July 2014, the Group expanded its product portfolio by acquiring the distributorship of a wide range of premium imported Japanese confectioneries and snack products in mainland China.
- Sales to e-commerce platforms recorded a significant growth in 2014.

B. Food Manufacturing

- The Group's two manufacturing businesses *Pocari Sweat* (JV with Otsuka Pharmaceutical) and *CJ Dumplings* (JV with South Korea's CJ CheilJedang Corporation) experienced encouraging sales growth of 35.1% and 96.0% respectively attributable to our continuous efforts in extending sales channels and developing new sales areas.

Outlook

- The implementation of brand and regional management strategies is expected to drive up sales and improve our margin in 2015 with enhanced operation efficiency.
- The growth of our sales to e-channels in 2014 was significant. We shall endeavour to source more products suitable for this fast growing e-commerce business channel to increase sales.
- We will continue to work closely with major modern trade retail channels by providing one-stop trading and logistics solutions to meet their goods supply needs.
- In view of the vast market potential of the food and consumer products in mainland China, we would explore opportunities to acquire distributors, wholesalers and logistics service providers to expand our coverage geographically as well as in new product categories and sales channels.

HONG KONG AND MACAO

- Segment turnover was HK$5,349 million, representing an increase of 8.5%.
- Segment result from operations reached HK$275 million, rose by 0.7% with the increase in profitability of food commodity and FMCG businesses partly offset by the drop in the profitability of retail business.
- Segment margin was 5.1%, declined by 0.4-percentage-point.

Food Business

A. FMCG

- Turnover recorded a good growth of 17.2% driven by product category and sales channel extension.
- Healthcare food products: turnover grew by 74.1%, benefitted from the expansion of distribution of major product categories to key accounts.
- Dairy products: turnover increased by 50.6% with the addition of new agencies, including maternal milk powder and infant milk formula.
- Beverages: turnover rose by 6.7% attributable to sales growth of functional drinks.
- Confectionery: turnover declined slightly by 5.5% as a result of lower sales of gift items due to the timing of Chinese New Year.
- Our house brand, *Cheer*, recorded a significant sales growth of 57.5%, contributed by the strong sales momentum of dairy products.

B. Food Commodity

- Business achieved a 16.5% growth in sales, mainly contributed by frozen meat products.
- Margin was improved through firmer selling prices on beef and pork products.
- The product portfolio is being enriched with new premium meat products such as grain fed chilled beef and organic chicken to serve the fine dining sector in particular.

C. Food Manufacturing

- The food processing business recorded a moderate sales growth of 3.2%. We will continue to fine-tune recipes and develop new products to maintain our leading position in the market. In the meantime, we are also upgrading various operating units to new facilities to enhance efficiency and create synergies for the food processing business.
- For the coffee and tea manufacturing business, sales registered an increase of 18.8% with sales growth across all the coffee, tea and related grocery businesses.

D. Retail

- The Group had 90 retail stores consisting of *DCH Food Mart* and *DCH Food Mart Deluxe* outlets in Hong Kong at the end of 2014.
- The retail business experienced a drop in profitability with total sales slightly decreased by 1.6% coupled with the increase of rental and labour costs.
- In light of the current retail market trend, the Group targets to enlarge its frozen, chilled and grocery product portfolio and import food from Europe and Japan. A cautious view will be taken on new store opening and the Group will evaluate the idea of new concept store.

Outlook

- The Hong Kong food market is expected to maintain steady sales growth in 2015.
- FMCG growth, with strong brands and planned new products and categories, is expected to continue outpacing the market.
- For food commodity, we expect the world food commodity price will continue to fluctuate. Our target is to increase sales volume by introducing more premium products.
- The retail business will remain competitive with rising rental and labour costs. We will further streamline the business, expand the product range for frozen and grocery items, develop more private label thereby enriching the consumers shopping experience. New store concepts will be further evaluated.
- Food processing and manufacturing operations will be upgraded to new facilities later in the year resulting in improved production capabilities and operational efficiencies. At the same time, new products and widened sales channels are being developed.

Consumer Products Business

- Overall sales dropped by 32.4% mainly affected by the decline of sales in trendy electronic headphones products in both mainland China and Hong Kong markets.
- Market condition will continue to be challenging and we will focus more on the development of premium built-in electrical appliances which are currently well-accepted in the market while continuing to expand the product and brand portfolio to coffee machines and Hi-Fi wireless streaming systems.
- As part of the strategic move to expand and strengthen our market position in the electrical and home appliance product segment, in January 2015, we acquired a 70% equity interest of *Gilman Group*. The acquisition is complementary to our existing electrical appliances business and it opens up another gateway for us to further expand into mainland China and Indochina regions.

Logistics Business

- The logistics business registered a strong sales growth of 24.5%.
- The cold chain logistics operations in Guangzhou and the repacking center in Shanghai commenced operations in 2013 and brought favourable sales contribution in 2014. The multi-temperature distribution centers in Kunming and Xiamen also commenced operations in the second half of 2014 to widen our service coverage.
- We have provided repacking, freight forwarding, importation and other value-added services to major modern trade retail channels to meet their goods supply needs, while also offered repacking services for confectionery products.
- Leveraging the growing demand for cold chain logistics services in mainland China and our solid presence in Hong Kong, Shanghai, Xinhui and Guangzhou, we are expanding our cold chain logistics network across mainland China. We will continue to seek further opportunities in other cities such as Chengdu and Wuhan.

Electrical Appliances Manufacturing Business

- As the operating costs for manufacturing businesses in the Pearl River Delta region are rising, we have completely closed down the electrical appliances manufacturing operation in 2014. The related wind down costs of HK$64 million have been included in 2014 accounts. Meanwhile, the facilities have been converted to provide logistics service.

E-COMMERCE BUSINESS

- *DCHnYOU 大昌優品 (www.dchnu.com)* has been launched in the fourth quarter of 2014, offering quality imported products from overseas through the newly established legitimate channels in mainland China.
- In addition to the Shanghai Free Trade Zone, *DCHnYOU* will expand under a multi-port importation strategy to grow its business. Its next move will be expanding through another legitimate channel in Nansha, Guangzhou to tap the potential of the prosperous Southern China market.

PLEASURE BOAT BUSINESS

- In 2014, the Group has embarked on the distribution of *Princess* motor yachts imported from the United Kingdom to capture this rising business opportunity in mainland China through leveraging our long-standing customer relationship in the prestigious car segment.
- We will continue to shore up the business structure of the pleasure boat business and expect to generate sales momentum in the future.

NEW MARKET PENETRATION TO INDOCHINA REGION

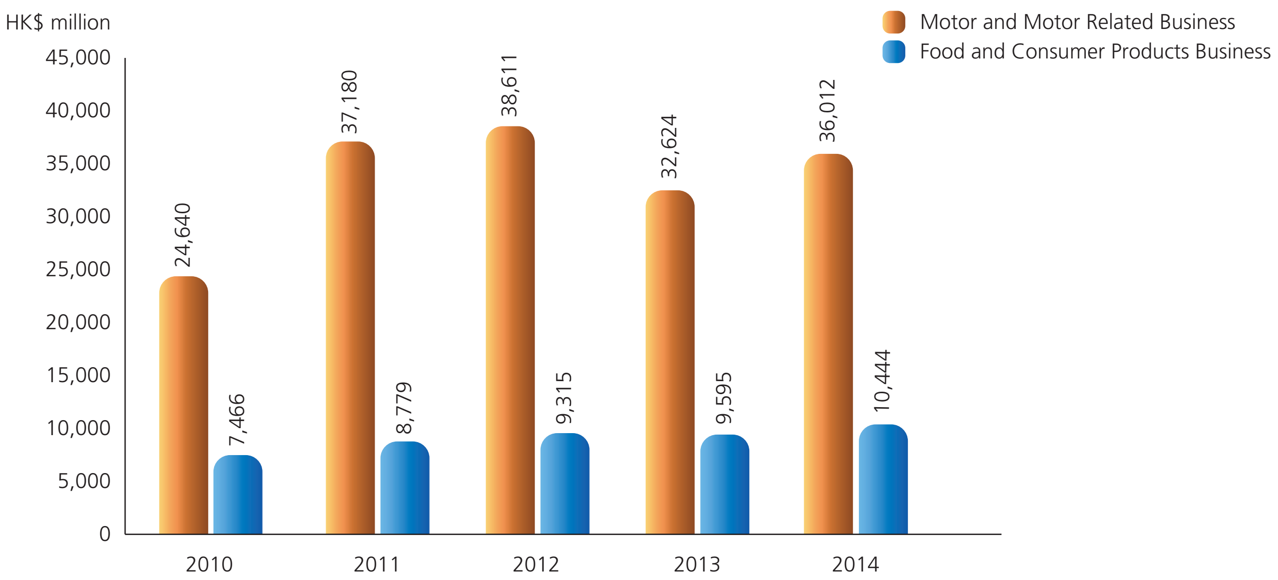
- To explore the Indochina market, we have the *Isuzu* and *FAW* motor business in Myanmar as a start. We will continue to seek for increasing the export of seafood from there.

INTRODUCTION

The Group's 2014 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 from External Customers



Turnover in 2014 was HK$46,489 million, increased by 10.0% compared with HK$42,261 million in 2013.

- **Motor and Motor Related Business**

  Turnover of Motor and Motor Related Business Segment increased by 10.4%. Turnover of the PRC segment increased by 11.0% mainly driven by increase in passenger car sales with an expanded dealership network. Turnover of Hong Kong and Macao segment grew by 13.3% as a result of strong replacement demand of commercial vehicles under the ex-gratia payment scheme from HKSAR Government for the replacement of aged diesel commercial vehicle, plus a steady growth of passenger cars sales. Turnover of other markets segment decreased by 3.6% mainly due to discontinuation of the dealership business in Canada since June 2013, the impact of which however was largely offset by the steady growth of commercial vehicle business in Taiwan and Singapore.

- **Food and Consumer Products Business**

  Turnover of Food and Consumer Products Business Segment increased by 8.8%. Turnover of the PRC segment grew by 13.7% mainly contributed by increase in FMCG distribution business with the increase in brand portfolio, expansion of our regional sales platforms with the increase in geographic coverage to more PRC cities, and expansion of sales channels. Turnover of Hong Kong and Macao segment grew steadily by 8.5%. Turnover of other markets segment dropped by 14.9% with the discontinuation of the electrical appliances manufacturing operation during the year.

SEGMENT PROFIT AFTER TAXATION

Segment profit after taxation in 2014 was HK$1,227 million which was the same as 2013.

- **Motor and Motor Related Business**

  Segment profit after taxation decreased by 0.9% to HK$904 million (2013: HK$912 million). Segment profit after taxation in Hong Kong and Macao grew by 17.5% to HK$489 million (2013: HK$416 million) with the increase in sales of commercial vehicles, and the impact of favourable exchange rates. The segment profit after taxation in mainland China however decreased by 27.7% to HK$290 million (2013: HK$401 million) with the impact of unhealthy competition in the market and start-up expenses for new 4S shops. Other markets contributed a segment profit after taxation of HK$125 million (2013: HK$95 million) with encouraging growth in commercial vehicle business in Taiwan and Singapore.

- **Food and Consumer Products Business**

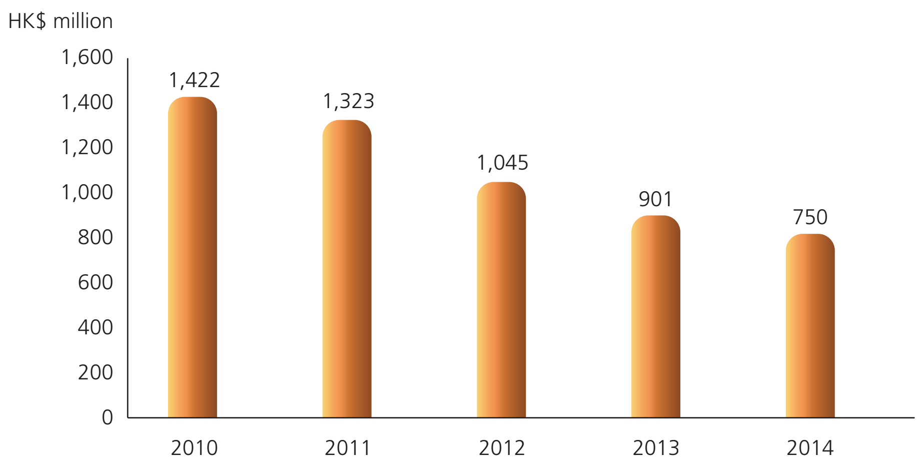
  Segment profit after taxation increased by 5.5% to HK$268 million (2013: HK$254 million). Segment profit after taxation in Hong Kong and Macao was the same as last year at HK$232 million. Segment profit after taxation in mainland China decreased by 57.4% to HK$40 million (2013: HK$94 million), mainly due to keen competition in the sluggish gift market, decrease in contribution from trendy electronic headphones products and set-up cost of new logistics facilities. For other markets, segment loss after taxation was significantly reduced to HK$4 million only (2013: HK$72 million loss) due to the discontinuation of the electrical appliances manufacturing business. The related wind down costs were HK$64 million.

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.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Profit attributable to shareholders of the Company for the year was HK$750 million, decreased by 16.8% as compared with HK$901 million in 2013. The performance was mainly affected by the wind down costs of manufacturing operation of HK$64 million, net provision of impairment losses on amounts due from joint ventures of HK$25 million, loss on termination of lease for a 4S shop of HK$26 million, and increase in finance costs of HK$34 million with the increase in bank borrowings.

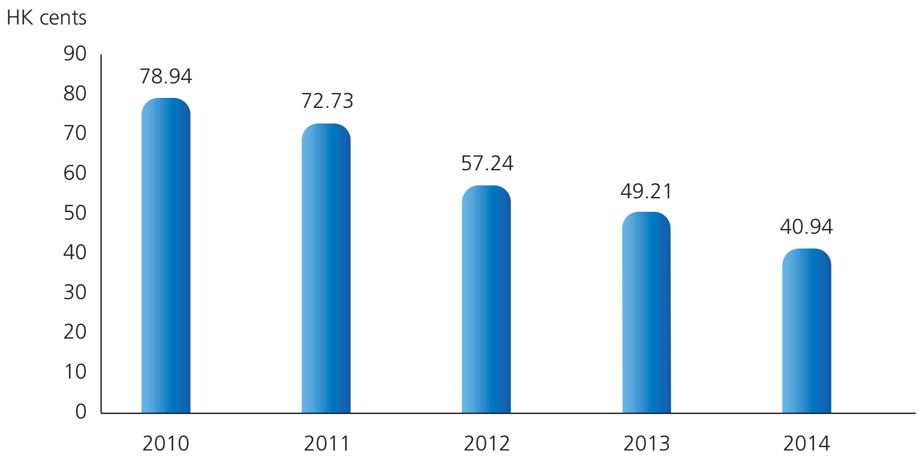
Profit Attributable to Shareholders



EARNINGS PER SHARE

Calculation of basic earnings per share for the year ended 31 December 2014 was based on the profit attributable to shareholders of the Company and the weighted average number of 1,831,993,000 (2013: 1,830,842,863) ordinary shares in issue during the year. Basic earnings per share was 40.94 HK cents for 2014, a decrease of 16.8% as compared with 49.21 HK cents for 2013.

Basic Earnings per Share



The diluted earnings per share for the year ended 31 December 2014 is the same as basic earnings per share as the potential ordinary shares in respect of outstanding share options are anti-dilutive.

DIVIDEND PER SHARE

The Board of Directors proposed payment of a final dividend of 6.60 HK cents per share for the year ended 31 December 2014 (2013: 10.72 HK cents), together with the interim dividend of 9.30 HK cents (2013: 8.68 HK cents) already paid, the total dividend for 2014 was 15.90 HK cents (2013: 19.40 HK cents).

FINANCE COSTS

The Group's finance costs increased by 14.5% to HK$268 million (2013: HK$234 million) mainly due to increase in bank borrowings during the year to finance the increase in working capital.

INCOME TAX

Income tax decreased by 20.0% to HK$272 million (2013: HK$340 million). The effective tax rate for the year was 24.9% (2013: 26.7%) with the recognition of deferred tax assets of HK$41 million (2013: HK$12 million) on tax losses which would be utilised in the foreseeable future.

NET ASSET VALUE PER SHARE

Calculation of net asset value per share was based on the net asset value of the Group of HK$9,763 million (31 December 2013: HK$9,373 million) and the 1,831,993,000 ordinary shares issued at 31 December 2014 (31 December 2013: 1,831,993,000 ordinary shares). Net asset value per share at 31 December 2014 was HK$5.33 (31 December 2013: HK$5.12).

CAPITAL EXPENDITURE

In 2014, the Group's total capital expenditure was HK$939 million (2013: HK$1,069 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 logistics facilities

HK$ million	**2014**	2013	Change
Motor and Motor Related Business	**818**	969	(151)
Food and Consumer Products Business	**83**	83	–
Other Business	**7**	3	4
Corporate Office	**31**	14	17
Total	**939**	1,069	(130)

CAPITAL COMMITMENTS

Please refer to note 33(a) to the financial statements for details of capital commitments outstanding at 31 December 2014.

CONTINGENT LIABILITIES

Please refer to note 34 to the financial statements for details of contingent liabilities at 31 December 2014.

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 2014, the Group recognised foreign currency forward contracts with a fair value of HK$2 million assets (31 December 2013: HK$2 million liabilities) as derivative financial instruments.

Interest Rate Exposure

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

In 2014, 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 2016 and 2017.

At 31 December 2014, together with the interest rate swaps entered in previous years, the Group had total outstanding interest rate swaps with a total notional contract amount of HK$2,000 million.

At 31 December 2014, 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 2014, the Group recognised interest rate swaps and the cross currency swap with a fair value of HK$3 million liabilities (31 December 2013: HK$2 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	**2014**	2013	Change
Operating profit before changes in working capital	**1,858**	1,967	(109)
Increase in working capital	**(2,482)**	(2,092)	(390)
Cash used in operations	**(624)**	(125)	(499)
Income tax paid	**(195)**	(387)	192
Net cash used in operating activities	**(819)**	(512)	(307)
Net cash used in investing activities	**(510)**	(848)	338
Dividends paid to shareholders of the Company	**(366)**	(321)	(45)
Net cash generated from other financing activities	**1,040**	624	416
Net decrease in cash and cash equivalents	**(655)**	(1,057)	402

Operating profit before changes in working capital

Profit before taxation was HK$1,094 million in 2014 (2013: HK$1,274 million). After adding back the finance costs and 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 / loss, operating profit before changes in working capital was HK$1,858 million (2013: HK$1,967 million).

Increase in working capital

In 2014, working capital increased by HK$2,482 million which included the increase in inventories of HK$2,485 million with the increase in commercial vehicle stock in Hong Kong in line with the increase in sales and the increase in passenger vehicles stock in the PRC to cater for the short-term requirement from the manufacturers; the increase in trade and other receivables of HK$291 million was offset by the increase in trade and other payables of HK$294 million.

In 2013, working capital increased by HK$2,092 million which included the increase in inventories of HK$599 million; the increase in trade and other receivables of HK$1,186 million; and the decrease in trade and other payables of HK$307 million.

Net cash used in operating activities

In 2014, cash used in operations, after taking into account the increase in working capital, was HK$624 million. Together with the tax paid of HK$195 million, net cash used in operating activities was HK$819 million.

In 2013, cash used in operations, after taking into account the increase in working capital, was HK$125 million. Together with the tax paid of HK$387 million, net cash used in operating activities was HK$512 million.

Net cash used in investing activities

In 2014, payment for purchase of fixed assets and lease prepayments were HK$933 million. After netting off the net proceeds from disposal of fixed assets and asset held for sale of HK$498 million and net cash used in other investing activities (mainly capital injection to associates and business combinations) of HK$75 million, net cash used in investing activities was HK$510 million.

In 2013, payment for purchase of fixed assets and lease prepayments were HK$1,054 million. After netting off the net proceeds from disposal of fixed assets of HK$305 million and net cash used in other investing activities of HK$99 million (mainly business combinations), net cash used in investing activities was HK$848 million.

Net cash generated from financing activities

In 2014, net proceeds of bank and other loans of HK$1,292 million and net cash inflow from holders of non-controlling interests of HK$15 million, after netting off interest paid of HK$267 million and dividends paid to shareholders of the Company of HK$366 million, net cash generated from financing activities was HK$674 million.

In 2013, net proceeds of bank and other loans of HK$983 million and proceeds from shares issued under share option schemes of HK$12 million, after netting off net cash outflow to holders of non-controlling interests of HK$106 million, interest paid of HK$234 million, dividends paid to shareholders of the Company of HK$321 million and dividend paid to holders of non-controlling interests of HK$31 million, net cash generated from financing activities was HK$303 million.

GROUP DEBT AND LIQUIDITY

The financial position of the Group at 31 December 2014 is summarised as follows:

HK$ million	**2014**	2013	Change
Total debt	**8,661**	7,424	1,237
Cash and bank deposits	**1,493**	2,173	(680)
Net debt	**7,168**	5,251	1,917

The Group has established various RMB cash pools for more effective use of cash in the PRC and the RMB cash balance has been reduced.

The original denomination of the Group's borrowings as well as cash and bank deposits by currency at 31 December 2014 is summarised as follows:

HK$ million equivalent	HKD	RMB	JPY	USD	CAD	SGD	NTD	AUD	Others	**Total**
Total debt	4,704	2,767	136	526	–	69	198	242	19	**8,661**
Cash and bank deposits	199	1,173	37	25	6	19	12	–	22	**1,493**
Net debt / (cash)	4,505	1,594	99	501	(6)	50	186	242	(3)	**7,168**

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 2014, the Group's net gearing ratio was 43.5%, compared to 36.9% at 31 December 2013.

HK$ million	**2014**	2013	Change
Net debt	**7,168**	5,251	1,917
Shareholders' funds	**9,322**	8,994	328
Total capital	**16,490**	14,245	2,245
Net gearing ratio	**43.5%**	36.9%	6.6%

Net debt increased in 2014 mainly to finance the capital expenditures and increase in working capital.

The effective interest rate of the Group's borrowings at 31 December 2014 was 3.6% (31 December 2013: 3.8%) with the increase in HKD bank borrowings which carries a lower interest rate versus RMB bank borrowings.

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 2014, the borrowings were repayable as follows:

	HK$ million	% of total
Within 1 year or on demand	**5,402**	63%
After 1 year but within 2 years	**199**	2%
After 2 years but within 5 years	**3,060**	35%
Total	**8,661**	100%

Available Sources of Financing

In addition to cash and bank deposits of HK$1,493 million at 31 December 2014 (31 December 2013: HK$2,173 million), the Group had undrawn available loan facilities of HK$8,008 million (31 December 2013: HK$7,591 million), of which HK$440 million (31 December 2013: HK$674 million) was committed term loans and HK$7,568 million (31 December 2013: HK$6,917 million) was uncommitted money market lines. The Group also had available trade facilities amounting to HK$4,007 million (31 December 2013: HK$4,450 million). Borrowings by sources of financing at 31 December 2014 are summarised as follows:

HK$ million	**Total**	Utilised	Available
Committed facilities:			
Term loans and revolving loans	**5,287**	4,847	440
Uncommitted facilities:			
Money market lines	**11,281**	3,713	7,568
Trading facilities	**5,694**	1,687	4,007

These could be reconciled to the total debt at 31 December 2014 as follows:

HK$ million	**2014**	2013	Change
Utilised term loans and revolving loans	**4,847**	3,553	1,294
Utilised money market lines	**3,713**	3,719	(6)
Discounted bills and trade loans	**122**	152	(30)
Others	**(21)**	–	(21)
Total	**8,661**	7,424	1,237

PLEDGED ASSETS

At 31 December 2014, the Group's assets of HK$877 million (31 December 2013: HK$795 million) were pledged in relation to financing of issuance of bank acceptance drafts and purchase of vehicle stock in mainland China, and discounted bills in Japan.

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 2014, the Group had complied with all of the above financial covenants.

FIVE YEAR SUMMARY

At year end (HK$ million)	**2014**	2013	2012	2011	2010
Total debt	**8,661**	7,424	6,409	5,784	3,302
Cash and bank deposits	**1,493**	2,173	3,225	2,854	1,991
Net debt	**7,168**	5,251	3,184	2,930	1,311
Shareholders' funds Note 1	**9,322**	8,994	8,511	7,909	6,848
Total capital Note 1	**16,490**	14,245	11,695	10,839	8,159
Capital employed Note 1	**17,983**	16,418	14,920	13,693	10,150
Net gearing ratio	**43.5%**	36.9%	27.2%	27.0%	16.1%
Interest cover (times)	**7**	9	7	13	19
Property, plant and equipment	**3,821**	3,798	3,358	3,070	2,115
Investment properties	**374**	366	565	875	704
Lease prepayments	**551**	537	491	382	299
Interests in associates	**350**	224	236	228	203
Interests in joint ventures	**415**	426	254	239	356

For the year (HK$ million)	**2014**	2013	2012	2011	2010
Turnover	**46,489**	42,261	48,014	46,109	32,211
Profit attributable to shareholders Note 1	**750**	901	1,045	1,323	1,422
Basic earnings per share (HK cents) Note 1	**40.94**	49.21	57.24	72.73	78.94
Diluted earnings per share (HK cents) Note 1 and 2	**40.94**	49.15	57.06	72.40	78.57
Net gain on remeasurement of investment properties	**10**	19	43	124	30
EBITDA	**1,935**	2,074	2,362	2,450	2,188
Dividend per share	**HK cents**	HK cents	HK cents	HK cents	HK cents
Interim	**9.30**	8.68	11.78	14.30	10.68
Final	**6.60**	10.72	8.88	12.74	12.77
Total	**15.90**	19.40	20.66	27.04	23.45

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 year 2010 were restated.

2. The diluted earnings per share for the year 2014 was the same as basic earnings per share as the potential ordinary shares in respect of outstanding share options were anti-dilutive.

Total number of new vehicles sold by DCH

Year	**2014**	2013	2012	2011	2010
Location					
Mainland China	**97,200**	84,562	81,042	85,448	58,833
Hong Kong	**12,695**	10,481	8,798	9,282	9,214
Macao	**2,111**	2,370	2,058	1,754	1,594
Other Markets	**3,830**	3,551	2,718	2,235	2,014
Total	**115,836**	100,964	94,616	98,719	71,655

Total number of 4S shops in mainland China

Year end	**2014**	2013	2012	2011	2010
4S shops	**79**	75	69	65	55

Total number of motor vehicle showrooms in Hong Kong

Year end	**2014**	2013	2012	2011	2010
Motor vehicle showrooms	**11**	11	11	13	13

Total number of DCH food retail outlets in Hong Kong

Year end	**2014**	2013	2012	2011	2010
DCH Food Mart	**24**	35	39	41	60
DCH Food Mart Deluxe	**66**	56	46	42	19
Total	**90**	91	85	83	79

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 sustainable development.

SHAREHOLDERS AND INVESTORS

DCH continues to enhance communications with its shareholders. The annual general meeting provides a regular opportunity 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. The Group also hosts periodic discussions with the financial community including institutional investors, analysts and fund managers through roadshows, individual and group meetings to keep investors abreast of our latest business developments.

GOVERNMENT AND REGULATORS

DCH has a diversified business portfolio across various industries and sectors. Measures were taken within the Group to ensure compliance with the latest laws, rules and regulations. Legal counsel has also been sought whenever necessary to ensure that every action we take or decision we make is in full compliance with the local laws and regulations.

For more details about our compliance with Listing Rules, please refer to the compliance section on pages 45 to 60.

SUPPLIERS AND BUSINESS PARTNERS

Sound supply chain management ensures DCH to sustain its business operations and development. As our products are sourced from all over the world, stringent rules have to be applied to the sourcing procedure. We are highly attentive as to whether the operations and product standards of every supplier and business partner are in accordance with local and international laws and regulations. To ensure our product quality, certifications and qualifications are obtained from suppliers for our motor, food and consumer goods and other products.

Food safety is the top priority throughout DCH's total food supply chain management. We have implemented various measures to ensure food safety from our processing plants, packaging lines and delivery to the sales channels. Sample tests are required on food products before selling through our distribution channels to further assure food safety. Our food processing plants in Hong Kong have also obtained HKQAA, HACCAP and ISO22000 certifications.

MEDIA

Media is one of the important communication channels between DCH and the public. Regular media interviews, gatherings and site visits are conducted for the press to communicate our latest development with different stakeholders in the community. Press releases are dispatched and press conferences are held whenever important announcements have to be made to the public.

CUSTOMERS

1. **Customer protection**

   DCH is a public listed company with strict compliance to the Personal Data (Privacy) Ordinance. Customer's personal data are highly protected. Clear and stringent guidelines of the use of customer's data are laid down and communicated among the whole Group to prevent any possible ways of data leakage.

2. **Customer engagement**

   Being a customer-care company, we value every customer's opinion and customer feedback. Customer Satisfaction Index surveys are regularly conducted for all business units to facilitate our continuous improvement in customer service.

   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 various activities that advocate service excellence in Hong Kong, including HKACE "Service Appreciation Day", service workshops and seminars during 2014. 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 has a dedicated and competent workforce to support its business expansion strategies and to sustain its development across different countries and locations. The Group promotes fairness, respect to employees and equal opportunities for employment and upholds a high standard of code and conduct.

As at 31 December 2014, the Group had a total of 16,963 employees, with 12,394 in mainland China, 4,027 in Hong Kong and Macao, and 542 in other locations, namely, Japan, Taiwan and Singapore.

Location	**December 2014**	December 2013	December 2014 vs December 2013
Mainland China	**12,394**	11,957	+3.7%
Hong Kong & Macao	**4,027**	3,993	+0.9%
Other Locations	**542**	504	+7.5%
Total	**16,963**	16,454	+3.1%

The total number of employees by the end of 2014 was 3.1% higher than that of 2013. More employees were employed in 2014 to support the establishment of new 4S shops in mainland China and the fast expansion of the commercial vehicle business in Taiwan.

To attract, motivate and retain talented employees, we 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 are also 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 to the Group, different social, recreational and health-related activities were arranged in 2014. In Hong Kong, a total of 23 events were organised with more than 10,140 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 2014 Family Day held at the Hong Kong Ocean Park was welcomed by Hong Kong employees with participation of 8,660 staff and their family members.

In 2014, the Group was affected by the volatile and competitive labour markets, staff turnover rate was 21.3% for Hong Kong and 27.9% for mainland China. Higher staff turnover was experienced among the frontline salespeople, logistics employees and technical employees in both Hong Kong and mainland China. Measures such as expanding recruitment channels, reviewing employee's compensation and benefits scheme and related 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 working environment for all employees. Regular reviews and audits are performed in accordance with the statutory and industry requirements. There was no fatal accident recorded in 2014. In Hong Kong, the injury rate, on a per thousand employees basis, for the year was 38.3, slightly higher than the figure of 31.4 in 2013, but still significantly improved when compared to 50.5 in 2012.

3. **Development and Training**

Staff development and retention continues to be the 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 sessions among the Hong Kong and China business units to enable them to share their best practices as well as strengthen their collaboration.

To support all employees to realise their potential and aspirations, and to build the leadership pipeline, the Group has launched two development programmes for high potential employees. They are the "Senior Executive Development Programme" and the "HiPo Development Programme".

In addition, to ensure a continuous supply of new talent, the Group also organises a variety of traineeship programmes, for example, management trainee and apprenticeship programmes. The Group's two-year management trainee programme aims to recruit high caliber graduates from universities and provide them with both classroom and on-the-job trainings as well as local and overseas assignments, so that they can get prepared for the long-term development within the Group.

COMMUNITY

1. **Charitable Donations**

"Giving back to the Society" has always been our motto in DCH's corporate social responsibility initiatives. We have been supporting charity events organised by different non-governmental organisations including Oxfam, Orbis, Medecins San Frontieres and the YMCA. DCH also engaged our business units, staff and other stakeholders in different regions and received overwhelming response. For example, in this year's Oxfam rice sale, through the dedicated effort of our staff, DCH was recognised by Oxfam as the "Third Fundraiser among Co-organising Parties" and the "Outstanding Rice Sale Volunteer Team".

In addition, Oxfam Trailwalker has become an eagerly anticipated activity of the Group. In 2014, we continued to participate in this event. Five teams of our energetic staff successfully completed the 100 km challenge, with the help of 20 support team members. With the concerted effort of our staff, DCH successfully raised more than HK$160,000 this year to support Oxfam in helping the people in poverty.

2. Social Services

The Group organised a number of volunteer activities during the year for staff to participate in and to help the needy. One of the key projects was the mobile classroom. The mobile classroom project was first started in 2011 and after four years of development, currently we have two vehicles operating in remote villages of Sichuan, and one vehicle serving in the mountainous area of Yunnan. These vehicles successfully served thousands of local children and villagers through regular visits and bringing teaching materials to them. In 2014, eight DCH volunteers from Hong Kong and mainland China participated in a mobile classroom service trip in Yunnan. They spent seven days in the village and gave lessons and interact with the children at school. All of our volunteers gained new insights after the trip, and shared their meaningful experience to other colleagues in their own region, promoting the value and mission of the mobile classroom project. The project was also well recognised in mainland China and garnered the Gold medal in the "1st Chinese Youth Volunteer Service Project Competition" (首屆中國青年志願服務項目大賽金獎) in 2014.

Volunteer Team Expands to Different Regions of Mainland China

2014 marked a significant milestone of DCH's Volunteer Team development. As a business conglomerate with strong foothold in major Asian cities, DCH encourages its staff in different regions to contribute to their community. Two of our China regions, Yunnan and Southern China, started to set up their own Volunteer Teams in early 2014. Throughout the year, our Yunnan Volunteer Team organised various social service activities with focus on children and the elderly. Our Volunteer Team members collected used books, toys and clothes from staff, and donated them to children in remote villages. They also hosted a Mid-autumn Festival party at an elderly home, bringing joy and care to the elders in town.

On 3 August 2014, a serious earthquake struck Yunnan, inflicting many deaths and casualties. In view of this, our Yunnan Volunteer Team immediately organised a large-scale walkathon to raise donations from our staff. With their warm hearts and tireless efforts, they successfully raised a total of RMB 120,000, which together with the Group's contribution of RMB 500,000, provided immediate relief support to local victims.

On the other hand, our Southern China Volunteer Team adopted a different approach to extend their love and care to the community by actively engaging various stakeholders in their community services. In March 2014, our Southern China Volunteer Team organised a large-scale tree-planting activity with around 1,000 staff and customers joining in. The activity not only provided a chance to forge closer ties between DCH staff and our customers, but also successfully arouse the participant's awareness about environmental protection. Apart from this, our Volunteer Team members in Southern China also leveraged their own strength to give back to the community. With their expertise in motor vehicles, they gathered their staff and customers to form a vehicle fleet and brought the underprivileged children for an ecology appreciation visit. The children were overjoyed to have a ride on private passenger cars.

Our Prospect in Community Services

As our business continues to expand, DCH Volunteer Team's footprint will further extend to more regions in 2015. We are targeting to launch our Eastern China Volunteer Team in the first quarter of 2015. In addition, we will also dedicate our efforts in identifying more channels and opportunities to engage our stakeholders in future community services.

DCH Volunteer Team believes that every small step can make a big difference. We will continue our mission in serving our community, bringing love and care to the people in need.

ENVIRONMENT

1. Emissions and Waste Reduction

As a responsible corporation, DCH is always conscious of the reduction of its carbon footprint and waste production in our business operations. To advocate green driving, we have continued to introduce environment-friendly vehicles and supply emission reduction devices in Hong Kong. We are also the pioneer in launching electric vehicles in the city.

We have actively implemented eco-friendly policies to reduce waste generated from our business activities. For instance, glass curtain walls are used in some showrooms and offices to allow more sunlight passing through to reduce the number of lighting needed in indoor areas.

2. Use of Resources

The Group believes that business growth should not come at the expense 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.

Energy saving measures have been promoted in our office and operation areas. In order to promote the awareness of environmental protection among employees, the Group has continued to launch the "Energy Saving Campaign" in 2014. The electricity consumption of each team within different business units and departments will be assessed on a year-to-year basis to encourage energy savings. Apart from that, we have also continued to sponsor the World Wide Fund For Nature Hong Kong's "Earth Hour" event.

3. Green Education

To instil a green lifestyle among our staff, we have established the DCH "Green Care" Committee to arrange a series of green activities, including lip balm DIY workshop, outings to an eco-farm and other campaigns and seminars. To support the United Nation's World Environment Day in June 2014, recyclable camphor deodorant sticks were given to our staff as a gift to promote the key messages of waste reduction, recycling and green living. Green concepts and tips are also conveyed through the staff newsletter and the "Green Page" on DCH intranet.

4. Awards and Recognition in 2014

Award	Organisation
"Class of Excellence" in "Energywi$e Label", Hong Kong Awards for Environmental Excellence	Environmental Campaign Committee
"Class of Excellence" in "Wastewi$e Label", Hong Kong Awards for Environmental Excellence	Environmental Campaign Committee
"Carbon"Less" 3% Certificate", Hong Kong Awards for Environmental Excellence	Environmental Campaign Committee
"Platinum Label" in the Low-carbon Office Operation Programme (LOOP) Labelling Scheme	World Wide Fund For Nature Hong Kong
"Pilot Companies" in the "Green Office Awards Labelling Scheme (GOALS)"	World Green Organisation
"Better World Company"	Junior Chamber International Hong Kong
DCH Logistics Co., Ltd. won the "Best Green ICT Grand Award" and the "Gold Award" of the "Best Green ICT (Adoption – Large-scale Enterprises)"	Communications Association of Hong Kong

CORPORATE GOVERNANCE PRACTICES

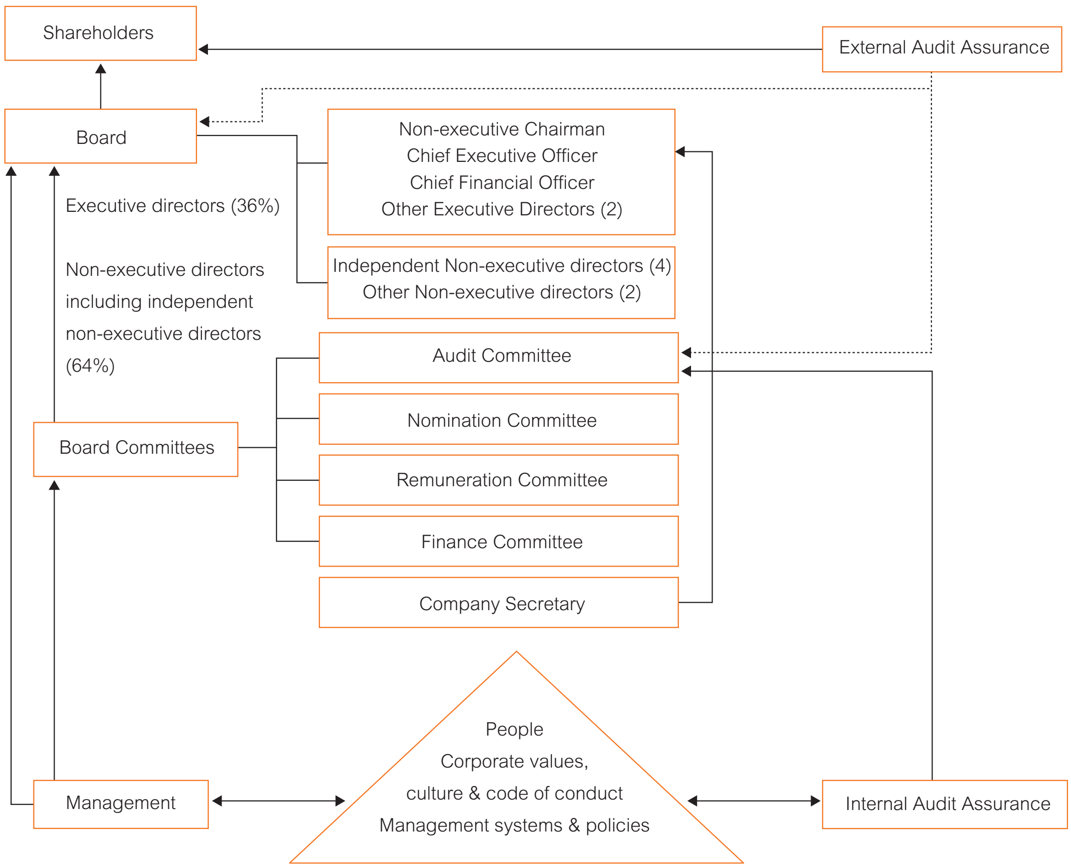
DCH is committed to maintaining high standards of corporate governance. The board of directors (the "Board") believes that good corporate governance practices are important to promote investor confidence and protect the interest of our shareholders. We attach importance to our staff, our code of conduct, 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 2014, 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").

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, 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

The Board currently comprises 4 executive directors, 3 non-executive directors and 4 independent non-executive directors. 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. DCH believes that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirement of DCH's business.

In relation to the 3 non-executive directors who are not independent (as considered by the Stock Exchange), Mr Zhang Jijing is an executive director and a vice president of CITIC Limited ("CITIC", a controlling shareholder of DCH, formerly known as CITIC Pacific Limited); Mr Kwok Man Leung is the executive vice president and a director of CITIC Pacific Limited ("CITIC Pacific", formerly known as Golden Crest Company Ltd.), a wholly-owned subsidiary of CITIC and Mr Fei Yiping is a vice president, a director and the 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.

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 certain 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 such as 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 the 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 and Company Reimbursement Insurance for its directors and officers with a combined aggregate limit of liability of HK$500 million.

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

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

Under DCH's CPD Programme, the Board visited Lexus 4S Shop and Audi 4S Shop in Shenzhen, and Xinhui Logistics Centre, Pocari Sweat Manufacturing Plant, CJ Dumpling Manufacturing Plant and Lubricant Oil Blending Plant in Xinhui, Jiangmen, the PRC in November 2014. 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. Directors also attended self-directed courses and seminars. 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, DCH has organised for the Directors and senior executives an in-house training session conducted by qualified accounting professionals on the topic of update on the New Hong Kong Companies Ordinance.

A summary of directors' participation in DCH's CPD Programme for the period from 1 January 2014 to 31 December 2014 is as follows:

Name of Directors	Type of CPD Programme *(Keys)*
Non-executive Chairman	
Mr Zhang Jijing	A, B, C, D, E
Executive Directors	
Mr Yip Moon Tong *(Chief Executive Officer)*	A, B, C, D, E
Mr Lau Sei Keung	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 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. Governmental and professional organisations briefings

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 2014. At the Board meetings, the Board reviewed significant matters including DCH's annual and interim financial statements, annual budget, proposals for interim and final dividends, annual report and interim report, proposals for amendment and adoption of new articles of association 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 2014, a Board meeting was held in Jiangmen, Guangdong Province, the PRC where the Board paid site visits to Lexus 4S Shop and Audi 4S Shop in Shenzhen, and Xinhui Logistics Centre, Pocari Sweat Manufacturing Plant, CJ Dumpling Manufacturing Plant and Lubricant Oil Blending Plant in Xinhui, Jiangmen, the PRC. 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 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. During the year, the Chairman held a private meeting with the 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 12 May 2014 ("2014 AGM") is set out below:

	Attendance/Number of Meetings	
Name of Directors	**Board Meeting**	**General Meeting**
Non-executive Chairman		
Mr Zhang Jijing	4 / 4	1 / 1
Executive Directors		
Mr Yip Moon Tong *(Chief Executive Officer)*	4 / 4	1 / 1
Mr Lau Sei Keung	4 / 4	1 / 1
Mr Glenn Robert Sturrock Smith	4 / 4	1 / 1
Mr Wai King Fai, Francis *(Chief Financial Officer)*	4 / 4	1 / 1
Non-executive Directors		
Mr Kwok Man Leung	4 / 4	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

Chairman and Chief Executive Officer

During the year, Mr Zhang Jijing 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, ensuring key issues are promptly addressed by the Board and the Chief Executive Officer is responsible for the day-to-day management of DCH's business and the effective implementation of corporate strategy and policies. Their respective roles and responsibilities are set out in writing, which have been approved and adopted by the Board.

Company Secretary

The company secretary, Ms Tso Mun Wai, is a full time employee of CITIC Pacific and is appointed by the Board.

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 shareholders' interests. The fees for directors were approved by the shareholders at general meetings in accordance with the Articles of Association of DCH.

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 and Administration Department of DCH serves as the secretary of the committee. The committee secretary prepared full minutes of the remuneration committee meetings and the draft minutes are sent to all committee members. The full terms of reference are available on DCH's website and the Stock Exchange's website.

Committee Composition and Attendance

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

Members	Membership and Attendance 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	1 / 1
Non-executive Director	
Mr Kwok Man Leung	1 / 1

Work Done in 2014

During the year, 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. The remuneration committee has also discussed the executive compensation for 2015. No director took part in any discussion about his own remuneration. The remuneration committee had communicated with the Chief Executive Officer about proposals relating to the remuneration packages of other executive directors and senior management. The remuneration committee also approved the grant of share options to senior management and employees of the Group to subscribe for a total of 28.2 million ordinary shares in the capital of DCH at an exercise price of HK$4.93 per share under the share option scheme adopted by DCH on 28 September 2007. Further details of such grant are set out in the announcement of DCH dated 30 April 2014.

Details of directors' emoluments and retirement benefits are disclosed in notes 9 and 30 to the financial statements respectively. Remuneration payable to members of senior management by band are disclosed in note 10 to the financial statements. Details of the share option scheme and the movement of the share options during the year 2014 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. 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, 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 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 during the year as well as the meeting attendance are as follows:

Membership and Attendance

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

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

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

Work Done in 2014

During 2014, 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 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, inside information / price sensitive information disclosure policy and code of conduct and the compliance of DCH with the CG Code and disclosures of corporate governance in the Environment, Social and Governance Report.

In the audit committee meeting of February 2015, the audit committee reviewed and approved DCH's annual financial statements and annual report for the year ended 31 December 2014, and considered reports from the external and internal auditors. The audit committee recommended that the Board approves the 2014 annual report.

Nomination Committee

The nomination committee was established by the Board with written terms of reference in compliance with the CG Code. The full terms of reference are available on DCH's website and the Stock Exchange's website.

The nomination committee reports directly to the Board and its primary functions are:

- to determine the policy for the nomination of directors and set out the nomination procedures and the process and criteria adopted to select and recommend candidates for directorship;
- to review the structure, size, composition and diversity of the Board at least annually and make recommendations on any proposed changes to the Board;
- to assess the independence of independent non-executive directors; and
- to make recommendations to the Board on the appointment or re-appointment of directors.

The nomination committee reviews the board diversity policy and makes recommendations on any required changes to the Board. This policy sets out the approach to achieve diversity on the Board which will include and make good use of the difference in skills, experience and background, geographical and industry experience, ethnicity, gender, knowledge and length of service and other qualities of the members of the Board. These differences will be considered in determining the optimum composition of the Board and all Board appointments will be based on merit, having due regard to the overall effective function of the Board as a whole. DCH believes that diversity can strengthen the performance of the Board, promote effective decision-making and better corporate governance and monitoring. The nomination committee discusses and agrees annually the relevant measurable objectives that the Board has set for implementing this policy and makes recommendations to the Board for adoption. It also monitors the implementation of this policy and reports to the Board on the achievement of the measurable objectives for achieving diversity under this policy.

The nomination committee comprises 6 members, 4 of whom are independent non-executive directors, and is chaired by the chairman of the Board. The nomination committee meets at least annually and at such other times as it shall require. The General Manager – Group Human Resources & Administration Department of DCH acts as secretary to the committee. The committee is provided with sufficient resources enabling it to perform its duties and it can seek independent professional advice at DCH's expenses if necessary. The committee secretary prepared full minutes of the nomination committee meetings and the draft minutes were sent to all committee members.

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 Zhang Jijing *(chairman)*	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	1 / 1

Work Done in 2014

During the year, one meeting was held with full attendance by the committee members in person. One set of resolutions was passed by circular by all the committee members during 2014. The nomination committee reviewed the terms of reference of the nomination committee, reviewed the structure, size, composition and diversity of the Board; reviewed certain measurable objectives; reviewed the board diversity policy of DCH and concluded all objectives were met and no change to the policy is required. The nomination committee also recommended to the Board the re-election of 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 2014 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 622 of the laws of Hong Kong, which came into effect on 3 March 2014) ("Companies Ordinance") and the applicable disclosure provisions of the Listing Rules. The Board endeavours to present to shareholders a balanced and understandable assessment of the Group's performance, position and prospects. Accordingly, appropriate accounting policies are selected and applied consistently, and judgments and estimates made by the management for financial reporting purpose are prudent and reasonable.

The adoption of relevant new and revised HKFRSs that became effective during the year has no significant impact on the Group's results of operation and financial position as disclosed in note 1(b) to the financial statements.

The responsibilities of the external auditor with respect to the financial statements for the year ended 31 December 2014 are set out in the Independent Auditor's Report on page 79.

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 2014, the fees charged to the financial statements of the Group in respect of KPMG's statutory audit amounted to approximately HK$15.2 million. In addition, approximately HK$3.4 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$4.8 million and the fees of provision of other services were approximately HK$2.5 million.

Internal Controls

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

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

DCH has put and continues to place considerable emphasis on maintaining and enhancing the effectiveness of its system of internal control. 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 56);
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) Enterprise Risk Management framework. The documentation supporting the self-assessments is subjected to review by internal audit. The results of the self-assessments were consolidated and reviewed by the audit committee;
- reports of internal audit undertaken in accordance with the annual internal audit plan approved by the audit committee, which reviews the audit findings, recommendations, management's response and remedial actions at each committee meeting and reports to the Board on such reviews where appropriate; and
- self-assessments made by business units and Group Finance of 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 Internal Audit Department ("IAD") of CITIC Pacific to perform internal audits for the Group.

Authority and Accountability

Under the internal audit charter endorsed by the audit committee, the 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 IAD 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 IAD to provide an objective assurance to the effectiveness of the internal control system of the Group.

Duties

The duties of the IAD 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 IAD when required by the management, the audit committee or the Board.

Internal Audit Resources and Major Work Done in 2014

The internal audit function comprised 23 audit staff members at 31 December 2014 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, IAD 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 IAD 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 2014, IAD 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 IAD during the year include:

- Carried out ongoing assessments of information technology controls pursuant to the annual audit plan.
- Reviewed the 2014 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 staff of IAD 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 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 has adopted a code of conduct which provides employees with a set of defined ethical standards for adherence. The code of conduct is posted on DCH's intranet for reference by all staff. New employees are briefed on the rules and standards set out in the code of conduct upon 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 and 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. The whistle blowing policy was revised in February 2015 to modify channels and procedures for handling whistle blowing cases.

According to the revised whistle blowing policy, concerns can be raised to the Chief Corporate Officer who will solicit representatives from appropriate divisions to form a handling team to study and investigate the concerns. If the concerns are serious or related to senior staff, a review committee which consists of Chief Corporate Officer, Chief Financial Officer and Chief Executive Officer will be set up to handle the case. Those who have conflict of interest will not be included in the investigations. 4 whistle blowing instances were reported during the year.

Inside Information / Price Sensitive Information Disclosure Policy

The Board has adopted an inside information / price sensitive information disclosure policy setting out the practices and procedures to (a) monitor business and corporate developments and events so that any potential inside information / price sensitive information is promptly identified and relayed to the Board to enable it to make timely decisions on disclosure, if necessary; and (b) take appropriate measures to preserve confidentiality of inside information / price sensitive information until proper dissemination of the inside information / price sensitive information 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 2014. The interests held by individual directors in DCH's securities as at 31 December 2014 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 will be made available on DCH's website.

During 2014, DCH issued an announcement in respect of a notifiable transaction, which can be reviewed 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

Resolutions put to vote at the general meetings of DCH (other than on procedure matters) 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. When announcements are made through the Stock Exchange, the same information will be made available on DCH's website.

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 requirements under the CG Code:

(a) Convening of general meeting

Shareholder(s) representing at least 5 per cent of the total voting rights of all shareholders having a right to vote at general meetings can make a request to call a general meeting pursuant to Section 566 of the Companies Ordinance.

The request –

(a) must state the general nature of the business to be dealt with at the meeting;
(b) may include the text of a resolution that may properly be moved and is intended to be moved at the meeting;
(c) may consist of several documents in like form;
(d) may be sent in hard copy form or in electronic form to the company secretary at DCH's registered office or via email at ir@ir.dch.com.hk; and
(e) must be authenticated by the person or persons making it.

Pursuant to Section 567 of the Companies Ordinance, directors must call a general meeting within 21 days after the date on which they become subject to the requirement and the meeting so called must be held on a date not more than 28 days after the date of the notice convening the meeting. If the directors do not do so, the shareholders who requested the meeting, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a general meeting pursuant to Section 568 of the Companies Ordinance, but the meeting must be called for a date not more than 3 months after the date on which the directors become subject to the requirement to call a general meeting.

(b) 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 the shareholders' enquiries and concerns to the Board and / or relevant Board committees of DCH, where appropriate, for them to answer the shareholders' questions.

(c) Procedures for shareholders to put forward proposals at an AGM

- Circulating a resolution for an Annual General Meeting ("AGM")

  Shareholder(s) can make a request to circulate a resolution for an AGM pursuant to Section 615 of the Companies Ordinance if they –

  (a) represent at least 2.5 per cent of the total voting rights of all shareholders who have a right to vote on the resolution at the AGM to which the request relates; or

  (b) number at least 50 and who have a right to vote on the resolution at the AGM to which the request relates.

  The request –

  (a) may be sent in hard copy form or in electronic form to the company secretary at DCH's registered office or via email at ir@ir.dch.com.hk;

  (b) must identify the resolution of which notice is to be given;

  (c) must be authenticated by the person or persons making it; and

  (d) must be received by DCH not later than 6 weeks before the AGM to which the request relates or if later, the time at which notice is given of that AGM.

- Circulating a statement at an AGM or at a general meeting

  Shareholder(s) can pursuant to Section 580 of the Companies Ordinance request DCH to circulate to shareholders entitled to receive notice of a general meeting, a statement of not more than 1,000 words with respect to a matter mentioned in a proposed resolution to be dealt with at that meeting or other business to be dealt with at that meeting, if such shareholder(s) –

  (a) represent at least 2.5 per cent of the total voting rights of all shareholders who have a relevant right to vote; or

  (b) number at least 50 and who have a relevant right to vote (as defined in section 580(4) of the Companies Ordinance).

  The request –

  (a) may be sent in hard copy form or in electronic form to the Company Secretary at DCH's registered office or via email at ir@ir.dch.com.hk;

  (b) must identify the statement to be circulated;

  (c) must be authenticated by the person or persons making it; and

  (d) must be received by DCH at least 7 days before the meeting to which it relates.

- Proposing a candidate for election as a Director

  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

At the 2014 AGM, the Articles of Association of DCH have been amended to be in line with provisions of the new Companies Ordinance.

The major amendments to the Articles of Association include the following:

- deletion of the memorandum of association of DCH in its entirety (including its objects clause) following the abolition of the memorandum of association in the Companies Ordinance and to incorporate the provisions which were in the memorandum of association into provisions of Articles of Association;
- removal of references in the Articles of Association to "par value" or "nominal value" and "authorised share capital", "share premium account" and "capital redemption reserve" and other related concepts, following the abolition of the concept of "par value" or "nominal value" for shares;
- removal of the power of DCH to issue bearer warrants;
- inclusion of a provision whereby the Board must give reasons for any refusal to register a transfer of shares if it is requested to do so by a transferee;
- deletion in its entirety of any power of DCH to convert shares into stock and to reconvert stock into shares;
- removal of the provision that no more than fifteen months may elapse between the date of one AGM of DCH and that of the next, substituted requirements for the holding of an AGM within six months of the end of a company's financial year end;
- removal of the requirement that the convening of a general meeting (other than an AGM) of DCH called for the passing of a special resolution requires no less than 21 days' notice, following the reduction of the notice period in the Companies Ordinance to no less than 14 days (subject always to the provisions of the Listing Rules);
- reduction of the threshold for demanding a poll to members present in person or by proxy representing not less than 5% of the total voting rights of all the members having the right to vote at the meeting, rather than the current 10%;
- provision of a requirement that the instrument appointing a proxy and power of attorney or other authority shall be received by DCH (a) for a general meeting or adjourned general meeting, at least 48 hours before the time appointed for holding the meeting or adjourned meeting; and (b) for a poll taken more than 48 hours after it was demanded, at least 24 hours before the time appointed for taking the poll; and
- provision whereby the Directors' ability to grant rights to subscribe for Shares (i.e. options) or the conversion of security into shares will, consistent with the current provisions of the company law relating to the allotment and issue of shares, require the approval by DCH in general meeting.

Details of the amendments of Articles of Association of DCH were set out in the DCH's circular dated 26 March 2014.

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

NON-COMPETITION UNDERTAKING

CITIC 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 and / or its close associates are regarded as a controlling shareholder of DCH under the Listing Rules, (i) CITIC 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 to invest in any independent third party's business engaging in activities carried out by the Group, CITIC 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 has reviewed the business of its group (excluding DCH and its respective subsidiaries) and advised that during the year 2014, their business did not compete with the Group and there was no opportunity made available to CITIC to invest in any independent third party which was engaged in the same business as that of the Group. CITIC 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 has complied with the terms of the non-competition undertaking.

NON-EXECUTIVE CHAIRMAN

Zhang Jijing

Aged 59, the Chairman and a Non-executive Director since January 2014. Mr Zhang also serves as the chairman of the Nomination Committee of DCH. Mr Zhang is currently an executive director and vice president of CITIC Limited ("CITIC", formerly known as CITIC Pacific Limited ("CITIC Pacific"), a controlling shareholder of DCH listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange")). Mr Zhang is also the chairman and the president of CITIC Pacific (formerly known as Golden Crest Company Ltd., a controlling shareholder of DCH), the chairman of CITIC Mining International Ltd and CITIC Pacific China Holdings Limited, and a director of CITIC Hong Kong (Holdings) Limited ("CITIC HK"). 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 Corporation Limited, a non-executive director of CITIC Securities Company Limited (listed on the Stock Exchange and the Shanghai Stock Exchange), China CITIC Bank Corporation Limited (listed on the Stock Exchange and the Shanghai Stock Exchange) and CITIC Resources Holdings Limited (listed on the Stock Exchange).

EXECUTIVE DIRECTORS

Yip Moon Tong *Chief Executive Officer*

Aged 62, 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 61, an Executive Director since July 2007. Mr Lau is the head of motor group and is responsible for overall leadership for all motor businesses including both commercial vehicles and passenger cars for Hong Kong, Macau, the People's Republic of China (the "PRC"), Taiwan and other developing territories. Mr Lau also champions the Isuzu distributorship business in the PRC, Hong Kong, Taiwan and Macao for the Group. 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 62, an Executive Director since July 2007. Mr Smith is the head of the Group's Hong Kong Food business. This comprises food commodity trading, food manufacturing and processing and food retailing. He is also Chief Executive of Sims Trading Company Limited ("Sims Trading"), a marketing and distribution business of agency food products in Hong Kong, Macau and the PRC. He became part of CITIC Pacific (now CITIC) in 2001 and was transferred to the Group when Sims Trading became part of the Group in 2004. Prior to joining CITIC Pacific (now CITIC) and the Group, he had over 30 years experience in the marketing and distribution of the consumer products. He is past chairman and a current director of GS1 (HK) a member of GS1 the global supply chain management organization.

Wai King Fai, Francis *Chief Financial Officer*

Aged 55, 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 46, a Non-executive Director since July 2007. Mr Kwok is a Chartered Financial Analyst. He is an executive vice president and a director of CITIC Pacific. He is a director of CITIC Pacific China Holdings Limited and Daye Special Steel Co., Ltd. (a fellow subsidiary of DCH listed on the Shenzhen Stock Exchange), and also a director of certain member companies of CITIC involved in iron ore mining and of certain member companies of CITIC Pacific involved in special steel, PRC property and infrastructure businesses. He is in charge of the business development and human resources and administration of CITIC Pacific. He was an executive director of CITIC Pacific (now CITIC) and a non-executive director of CITIC Telecom International Holdings Limited ("CITIC Telecom", listed on the Stock Exchange).

Fei Yiping

Aged 51, a Non-executive Director since January 2010. Mr Fei is vice president, a director and the financial controller of CITIC Pacific, a director and the chief financial officer of CITIC HK, a director of Companhia de Telecomunicações de Macau, S.A.R.L., and also a director of certain member companies of CITIC involved in iron ore mining and of certain member companies of CITIC Pacific involved in special steel and PRC property. He has over 15 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 the PRC in 2008, he became deputy director-general of the finance department of CITIC Group Corporation. Mr Fei was also a non-executive director of CITIC Telecom.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Cheung Kin Piu, Valiant

Aged 69, 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 76, 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), a fellow member of the Chartered Institute of Logistics and Transport (FCILT), and an Honorary Fellow of Lingnan University.

Yeung Yue Man

Aged 76, 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 68, an Independent Non-executive Director since 31 December 2012. Mr Chan is a senior adviser 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

Lo Kai Sing, Paul

Aged 59, 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 (now CITIC) 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.

Lee Tak Wah

Aged 50, is a Senior Corporate Director of the Group and the Deputy Head of Motor Group. Mr Lee is responsible for overseeing the motor business operation and development; he is also in charge of the motor related business for the Group. Mr Lee joined the Group in June 1999. He has more than 20 years of experience in the motor industry.

Got Chong Key, Clevin

Aged 56, is a Senior Corporate Director of the Group and the Head of Premium Brands. Mr Got is in charge of Audi, Bentley and Infiniti brands. He is also responsible for developing the Princess pleasure boat business. Mr Got joined the Group in January 1999. He has more than 20 years experience in the motor industry.

Kuk Tai Wai, David

Aged 63, is a Corporate Director of the Group and the Managing Director of DCH Logistics Company Limited ("DCH Logistics") and is primarily responsible for the overall management and performance of the logistics business of the Group. He joined CITIC Pacific (now CITIC) 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 52, is a Corporate Director of the Group and PRC Logistics & Business Development Director of DCH Logistics and is primarily responsible for managing all logistics businesses in the PRC and leading new logistics business developments for the Group. 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 54, 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 53, is a Corporate Director of the Group and the Director and General Manager of Dah Chong Hong Motors (China) Limited ("DCHM China"). 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 58, 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.

Lee Kai Yeung

Aged 58, 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 48, 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 60, 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.

Lau Che Kwong, James

Aged 48, is a Corporate Director and National Head of China Food Regional Management of the Group. Mr Lau is primarily responsible for developing the China Food Group regional organization and leading this organization in expanding the distribution network in the PRC. Mr Lau joined the Group in November 2014, and has over 25 years experience in FMCG businesses.

Ng Kim Fan, Rex

Aged 46, is a Corporate Director of the Group and the Director & General Manager of DCHM China. Mr Ng is primarily responsible for developing and managing all after sales and motor related businesses in the PRC. Mr Ng joined the Group in February 2015, and has over 24 years relevant experience in motor business of Hong Kong, Macau and the PRC.

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 2014.

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 business conglomerate with strong foothold in the consumer market in the Greater China, Singapore and Japan. It has a diversified business portfolio with core businesses in motor and motor related business, as well as food and consumer products business which are supported by the logistics services.

SUBSIDIARY COMPANIES

The names of the principal subsidiaries, their places of incorporation / establishment / operation, particulars of their share capital and principal activities are set out in note 38 to the financial statements.

DIVIDENDS

The Directors declared an interim dividend of 9.30 HK cents (2013: 8.68 HK cents) per share in respect of the year ended 31 December 2014 which was paid on 18 September 2014. The Directors recommended, subject to the approval of the shareholders at the forthcoming annual general meeting, the payment of a final dividend of 6.60 HK cents (2013: 10.72 HK cents) per share in respect of the year ended 31 December 2014 payable on 28 May 2015 to shareholders on the register of members at the close of business on 13 May 2015.

FINANCIAL STATEMENTS

The profit of DCH and its subsidiaries (together the "Group") for the year ended 31 December 2014 and the state of DCH's and the Group's affairs as at that date are set out in the financial statements on pages 80 to 154.

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$2.2 million (2013: HK$2.8 million).

FIXED ASSETS

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate percentage of sales attributable to the Group's five largest customers 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	
	2014	2013
The largest supplier	**12.0%**	15.3%
Five largest suppliers in aggregate	**39.5%**	41.7%

So far as the Directors aware, at no time during the year have the Directors, their close 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 2014 are set out in note 26 to the financial statements.

DIRECTORS

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

Executive Directors

Mr Yip Moon Tong
Mr Lau Sei Keung
Mr Glenn Robert Sturrock Smith
Mr Wai King Fai, Francis

Non-executive Directors

Mr Zhang Jijing
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 61 to 63 of the 2014 Annual Report.

In accordance with Article 104(A) of the Articles of Association of DCH, Messrs. Lau Sei Keung, Wai King Fai, Francis, Kwok Man Leung and Fei Yiping 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 Limited ("CITIC", formerly known as CITIC Pacific Limited ("CITIC Pacific"), a controlling shareholder of DCH) on 28 September 2007, pursuant to which DCH shared certain administrative services, namely, company secretarial services, internal audit services and tax compliance services with CITIC as commenced on 1 January 2007. The agreement shall continue thereafter in force from year to year but may be terminated if CITIC 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 and calculated in proportion to their departmental charges.

Subsequent to the re-organisation of CITIC group, the company secretarial, internal audit and tax compliance services as contemplated under the aforesaid agreement have been taken up by CITIC's wholly-owned subsidiary, CITIC Pacific (formerly known as Golden Crest Company Ltd., a controlling shareholder of DCH). A termination letter was issued by CITIC to DCH to terminate the aforesaid agreement and DCH entered into a new administrative services agreement with CITIC Pacific which took effect on 1 July 2014. The agreement shall continue thereafter in force from year to year but may be terminated 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 to CITIC and CITIC Pacific for the year ended 31 December 2014 were HK$4.4 million (2013: HK$9.9 million) and HK$5.8 million (2013: Nil).

DCH also entered into a trademark licence agreement on 28 September 2007 with CITIC, pursuant to which CITIC 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 and ended on 26 July 2014 (i.e. the expiration of the current trademark registration). No consideration is payable by DCH to CITIC for the use of the trademark.

CITIC 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 and / or its close 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 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 to invest in any independent third party's business engaging in activities carried out by the Group, CITIC 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 has executed an indemnity dated 28 September 2007 in favour of the Group under which CITIC 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 pursuant to the indemnity since 28 September 2007.

Apart from the above and the transactions as mentioned in the section "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 2014.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

RELATED PARTY TRANSACTIONS

The Group has entered into certain transactions in the ordinary course of business and on normal commercial terms which were "material related party transactions", details of which are set out in note 35 to the financial statements. Some of these transactions also constitute "Continuing Connected Transactions" under the Listing Rules as summarised below.

CONTINUING CONNECTED TRANSACTIONS

During 2014, 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.

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, 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 2014 and ending 31 December 2015 is approximately 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$169.7 million which did not exceed the capped amount.

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

REVIEW OF NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Pursuant to Rule 14A.55 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 better; 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 auditor was 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 auditor has issued the unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Group in pages 68 to 69 of the 2014 Annual Report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter will be provided by DCH to the Stock Exchange.

CONTRACTUAL ARRANGEMENTS

The Group has been conducting its PRC operations in industries that were 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 2014 are set out below:

	Name of OPCO	Date of establishment of OPCO	Registered Capital (Note viii) 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 ix)	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	江門市寶昌汽車銷售服務有限公司 (Jiangmen Baochang Motors Sale and Service Limited)	16.4.2003	370 (Note i)	上海眾泰汽車銷售有限公司 (Shanghai Zhongtai Motor Sales Limited) (100%) (Note i)	–	–	100%
4	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	深圳市深業實業有限公司 (Shenzhen Shenye Shiye Limited)(100%) (Notei ii)	–	–	100%
5	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	50%
6	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 iii)
7	佛山駿安商貿有限公司 (Foshan Junan Trading Limited)	12.12.2008	0.5	佛山駿安豐田汽車銷售服務有限公司 (Foshan Junan Toyota Motors Sale and Service Limited) (100%) (Note iv)	–	–	49% (Note v)
8	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 vi)	– 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%
9	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 v)
10	合肥眾賓汽車銷售服務有限公司 (Hefei Zhongbin Motors Sale and Service Limited)	17.9.2013	1	上海眾鈴汽車銷售服務有限公司 (Shanghai Zhongling Motors Sale and Service Limited) (100%) (Note vii)	–	–	100%

Notes:

i. During the year, the registered capital was increased from RMB12 million to RMB370 million and Registered Owners were changed from 蔡兆敏 (Cai Zhaomin) (50%) and 仲玉林 (Zhong Yulin) (50%) to 上海眾泰汽車銷售有限公司 (Shanghai Zhongtai Motor Sales Limited) (100%), nominated by Dah Chong Hong Motors (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 蔡兆敏 (Cai Zhaomin) (80%) and 仲玉林 (Zhong Yulin) (20%) to 深圳市深業實業有限公司 (Shenzhen Shenye Shiye Limited) (100%), nominated by Dah Chong Hong Motors (China) Limited, during the year. Since then, the Contractual Arrangements ceased to apply to this subsidiary as it was no longer an OPCO.

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

iv. Registered Owner was changed from 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%) to 佛山駿安豐田汽車銷售服務有限公司 (Foshan Junan 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.

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

vi. 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.).

vii. Registered Owners were changed from 閻文環 (Yan Wenhuan) (50%) and 黃斐 (Huang Fei) (50%) to 上海眾鈴汽車銷售服務有限公司 (Shanghai Zhongling Motors Sale and Service Limited) (100%), nominated by Triangle Motors (China) Limited, during the year. Since then, the Contractual Arrangements ceased to apply to this subsidiary as it was no longer an OPCO.

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

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

x. 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 2014 and (iv) no new Contractual Arrangement entered into during the year.

DCH's auditor was 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 auditor has issued the letter containing the 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 auditor's 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 27 February 2015, the maximum number of shares available for issue under the Scheme is 105,550,000, representing approximately 5.76% of the issued shares 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 on the date of grant.

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

g. The subscription price determined by the Board will not be less than whichever is the higher of (i) the closing price of DCH's shares as stated in the Stock Exchange's daily quotations sheets on the date of grant; and (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.

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
30.4.2014	28,200,000	30.4.2015 – 29.4.2019*	4.930

* 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 0.5 year.

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. A 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 2.4 years.

Of the share options granted on 30 April 2014, 27,850,000 were accepted and 350,000 were not as at the latest date of acceptance pursuant to the scheme rules (i.e. 28 May 2014). 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. A 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 30 April 2014 was HK$4.91 per share. The remaining contractual life of the share options is 4.3 years.

During the year ended 31 December 2014, none of the share options under the Scheme were exercised or cancelled, and 650,000 share options have lapsed.

A summary of the movements of the share options under the Scheme during the year ended 31 December 2014 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 1.1.2014	Granted during the year ended 31.12.2014	Lapsed / cancelled during the year ended 31.12.2014	Exercised during the year ended 31.12.2014	Balance as at 31.12.2014	Approximate percentage to the number of issued shares
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	
	30.4.2014	30.4.2015 – 29.4.2019	4.930	–	1,800,000	–	–	1,800,000	
				3,250,000				5,050,000	0.276%
Lau Sei Keung	8.6.2012	8.6.2013 – 7.6.2017	7.400	1,450,000	–	–	–	1,450,000	
	30.4.2014	30.4.2015 – 29.4.2019	4.930	–	1,450,000	–	–	1,450,000	
				1,450,000				2,900,000	0.158%
Glenn Robert Sturrock Smith	7.7.2010	7.7.2010 – 6.7.2015	4.766	550,000	–	–	–	550,000	
	8.6.2012	8.6.2013 – 7.6.2017	7.400	1,100,000	–	–	–	1,100,000	
	30.4.2014	30.4.2015 – 29.4.2019	4.930	–	1,100,000	–	–	1,100,000	
				1,650,000				2,750,000	0.150%
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	
	30.4.2014	30.4.2015 – 29.4.2019	4.930	–	900,000	–	–	900,000	
				1,700,000				2,600,000	0.142%

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

Date of grant	Exercise period	Exercise price per share HK$	Number of share options: Balance as at 1.1.2014	Granted during the year ended 31.12.2014	Lapsed / cancelled during the year ended 31.12.2014	Exercised during the year ended 31.12.2014	Balance as at 31.12.2014	Approximate percentage to the number of issued shares
7.7.2010	7.7.2010 – 6.7.2015	4.766	2,440,000	–	100,000	–	2,340,000	0.128%
8.6.2012	8.6.2013 – 7.6.2017	7.400	16,550,000	–	550,000	–	15,900,000 *(Note 1)*	0.868%
30.4.2014	30.4.2015 – 29.4.2019	4.930	–	22,950,000	–	–	22,500,000 *(Note 2)*	1.228%

Notes:

1. 100,000 share options were granted to an employee who has subsequently deceased during the year and re-classified in "Others" below.

2. 350,000 share options were not accepted as at the latest date of acceptance pursuant to the scheme rules (i.e. 28 May 2014), and 100,000 share options were granted to an employee who has subsequently deceased during the year and re-classified in "Others" below.

3. **Others** *(Note1)*

Date of grant	Exercise period	Exercise price per share HK$	Number of share options: Balance as at 1.1.2014	Granted during the year ended 31.12.2014	Lapsed / cancelled during the year ended 31.12.2014	Exercised during the year ended 31.12.2014	Balance as at 31.12.2014	Approximate percentage to the number of issued shares
7.7.2010	7.7.2010 – 6.7.2015	4.766	900,000	–	–	–	900,000	0.049%
8.6.2012	8.6.2013 – 7.6.2017	7.400	1,950,000	–	–	–	2,050,000 *(Note 2)*	0.112%
30.4.2014	30.4.2015 – 29.4.2019	4.930	–	–	–	–	100,000 *(Note 3)*	0.005%

Notes:

1. These are in respect of share options granted to former employees whose employment was terminated other than for cause or misconduct.

2. Please refer to the Note 1 to "Employees of the Group working under continuous contracts, other than DCH Directors" for 100,000 share options granted.

3. Please refer to the Note 2 to "Employees of the Group working under continuous contracts, other than DCH Directors" for 100,000 share options granted.

The average fair value of the share options granted under the Scheme during the year ended 31 December 2014 measured at the date of grant on 30 April 2014 was HK$1.37 per share option based on the following assumptions using the Binomial Lattice Model:

– Share price at the grant date	HK$4.93
– Exercise price	HK$4.93
– Expected volatility of DCH's share price	40% per annum
– Share option life	5 years
– Expected dividend yield	3.0% per annum
– Average risk-free interest rate (based on Hong Kong Exchange Fund Notes)	1.22% per annum
– Early exercise assumption	Option holders will exercise when the share price is at least 160% of the exercise price
– Rate of leaving service during the exercise period	0.5% per annum

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

Taking into account the probability of leaving employment and early exercise behaviour, the expected life of the grant was estimated to be about 4.3 years.

The total expense recognised in DCH's income statement for the year ended 31 December 2014 in respect of the grant of the aforesaid 28,200,000 share options for the shares of DCH is approximately HK$13.8 million.

Information on the accounting policy for share options granted is provided in note 1(t)(ii) to the financial statements.

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 2015 HK$**	Monthly salary commencing in January 2014 HK$
Yip Moon Tong	**380,900**	368,000
Lau Sei Keung	**254,600**	246,000
Glenn Robert Sturrock Smith	**217,400**	210,000
Wai King Fai, Francis	**238,100**	230,000

Notes:

1. 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.

2. 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 2015.

3. For information regarding the full details of Directors' remuneration for the year ended 31 December 2014, please refer to note 9 to the financial statements.

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 2014 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 number of issued shares
Yip Moon Tong	1,300,000 (Note)	0.071%
Lau Sei Keung	180,000	0.010%
Glenn Robert Sturrock Smith	50,000	0.003%
Wai King Fai, Francis	102,000	0.006%

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

2. Shares in Associated Corporations

(a) CITIC Limited

Name of Director	Number of shares Personal interests	Approximate percentage to the number of issued shares
Lau Sei Keung	1,000	0.000004%

(b) CITIC Telecom International Holdings Limited

Name of Director	Number of shares Personal interests	Approximate percentage to the number of issued shares
Kwok Man Leung	150,000	0.004%

(c) China CITIC Bank Corporation Limited

Name of Director	Number of shares Personal interests	Approximate percentage to the number of issued shares
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.

Save as disclosed above, as at 31 December 2014, 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 2014, the interests of the substantial shareholders, other than the Directors or their respective close 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 number of issued shares
CITIC Group Corporation	1,027,307,000	56.08%
CITIC Polaris Limited	1,027,307,000	56.08%
CITIC Limited	1,027,307,000	56.08%
CITIC Pacific Limited	1,027,307,000	56.08%
Davenmore Limited	1,018,800,000	55.61%
Colton Pacific Limited	800,922,200	43.72%
Chadacre Developments Limited	245,102,000	13.38%
Ascari Holdings Ltd.	217,877,800	11.89%
Schroders Plc	146,152,000	7.98%
Cornaldi Enterprises Limited	95,317,400	5.20%

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 1,027,307,000 shares through its direct wholly-owned subsidiary, Davenmore Limited as to 1,018,800,000 shares and its indirect wholly-owned subsidiary, Hainsworth Limited as to 8,507,000 shares.

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

CITIC Polaris Limited was deemed to be interested in 1,027,307,000 shares through its direct controlled corporation, CITIC.

CITIC Group Corporation was deemed to be interested in 1,027,307,000 shares through its wholly-owned subsidiaries, with CITIC Polaris Limited and CITIC Glory Limited respectively interested in 48% and 29.9% of the issued shares of CITIC.

SHARE CAPITAL

Details of the movements in share capital of DCH during the year are set out in note 29 to the financial statements.

DCH has not redeemed any of its shares during the year ended 31 December 2014. Neither DCH nor any of its subsidiary companies has purchased or sold any of DCH's shares during the year ended 31 December 2014.

SERVICE CONTRACTS

As at 31 December 2014, 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.

AUDITOR

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 auditor 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 2014.

By order of the Board
Zhang Jijing *Chairman*
Hong Kong, 27 February 2015

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 80 to 154, which comprise the consolidated and Company balance sheets as at 31 December 2014, 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 80 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), 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 2014 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
27 February 2015

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014

HK$ million	Note	**2014**	2013
Turnover	3	**46,489**	42,261
Cost of sales		**(41,235)**	(37,389)
Gross profit		**5,254**	4,872
Other income	5	**923**	821
Selling and distribution expenses		**(2,931)**	(2,549)
Administrative expenses		**(1,841)**	(1,691)
Profit from operations		**1,405**	1,453
Net gain on remeasurement of			
– an investment property reclassified as asset held for sale	6(d)	**–**	12
– other investment properties	14(a)	**10**	19
Wind down costs of manufacturing operation	7	**(64)**	–
Finance costs	6(a)	**(268)**	(234)
Share of profit after tax of associates	19	**13**	11
Share of (loss) / profit after tax of joint ventures	20	**(2)**	13
Profit before taxation	6	**1,094**	1,274
Income tax	8	**(272)**	(340)
Profit for the year		**822**	934
Attributable to:			
Shareholders of the Company		**750**	901
Non-controlling interests		**72**	33
		822	934
Basic earnings per share (HK cents)	13(a)	**40.94**	49.21
Diluted earnings per share (HK cents)	13(b)	**40.94**	49.15

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

HK$ million	Note	**2014**	2013
Profit for the year		**822**	934
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of entities outside Hong Kong			
– subsidiaries		**(82)**	39
– associates and joint ventures		**–**	10
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, net of tax	14(d)	**7**	17
Other comprehensive (loss) / income for the year, net of tax		**(75)**	66
Total comprehensive income for the year		**747**	1,000
Attributable to:			
Shareholders of the Company		**676**	956
Non-controlling interests		**71**	44
		747	1,000

CONSOLIDATED BALANCE SHEET

At 31 December 2014

HK$ million	Note	2014	2013
Non-current assets			
Fixed assets	14(a)		
– Property, plant and equipment		**3,821**	3,798
– Investment properties		**374**	366
		4,195	4,164
Lease prepayments	15	**551**	537
Intangible assets	16	**799**	720
Goodwill	17	**358**	356
Interests in associates	19	**350**	224
Interests in joint ventures	20	**415**	426
Available-for-sale investments	21	**8**	8
Deferred tax assets	28(a)	**66**	30
		6,742	6,465
Current assets			
Inventories	22(a)	**8,723**	6,259
Asset held for sale	23	**–**	162
Trade and other receivables	24	**6,668**	6,483
Current tax recoverable		**5**	84
Cash and bank deposits	25	**1,493**	2,173
		16,889	15,161
Current liabilities			
Borrowings	26	**5,402**	5,608
Trade and other payables	27	**4,817**	4,465
Current tax payable		**166**	121
		10,385	10,194
Net current assets		**6,504**	4,967
Total assets less current liabilities		**13,246**	11,432
Non-current liabilities			
Borrowings	26	**3,259**	1,816
Deferred tax liabilities	28(a)	**224**	243
		3,483	2,059
Net assets		**9,763**	9,373

At 31 December 2014

HK$ million	Note	2014	2013
Capital and reserves	29		
Share capital		**1,477**	275
Share premium		**–**	1,202
Other reserves		**7,845**	7,517
Total equity attributable to shareholders of the Company		**9,322**	8,994
Non-controlling interests		**441**	379
Total equity		**9,763**	9,373

Approved and authorised for issue by the board of directors on 27 February 2015.

Zhang Jijing
Director

Yip Moon Tong
Director

BALANCE SHEET

At 31 December 2014

HK$ million	Note	**2014**	2013
Non-current assets			
Interests in subsidiaries	18	**7,164**	5,608
		7,164	5,608
Current assets			
Trade and other receivables	24	**2,222**	2,210
Cash and bank deposits	25	**14**	16
		2,236	2,226
Current liabilities			
Borrowings	26(a)	**1,681**	1,788
Trade and other payables	27	**321**	217
		2,002	2,005
Net current assets		**234**	221
Total assets less current liabilities		**7,398**	5,829
Non-current liabilities			
Borrowings	26(a)	**3,010**	1,814
		3,010	1,814
Net assets		**4,388**	4,015
Capital and reserves	29		
Share capital		**1,477**	275
Share premium		**–**	1,202
Other reserves		**2,911**	2,538
Total equity		**4,388**	4,015

Approved and authorised for issue by the board of directors on 27 February 2015.

Zhang Jijing
Director

Yip Moon Tong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

		Attributable to shareholders of the Company												
HK$ million	Note	Share capital (29(a))	Share premium (29(b))	General reserve (29(c))	Capital reserve (29(d))	Statutory surplus reserve (29(e))	Merger reserve (29(f))	Share option reserve (29(g))	Exchange fluctuation reserve (29(h))	Asset revaluation reserve (29(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		–	–	–	–	–	–	–	–	–	–	–	12	12
Acquisitions of non-controlling interests		–	–	(184)	–	1	–	–	–	–	–	(183)	(35)	(218)
Acquisition of subsidiaries under common control		–	–	–	–	–	(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	12	–	–	–	–	–	–	–	–	–	(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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

		Attributable to shareholders of the Company												
HK$ million	Note	Share capital (29(a))	Share premium (29(b))	General reserve (29(c))	Capital reserve (29(d))	Statutory surplus reserve (29(e))	Merger reserve (29(f))	Share option reserve (29(g))	Exchange fluctuation reserve (29(h))	Asset revaluation reserve (29(i))	Retained profits	Total	Non-controlling interests	Total equity
At 1 January 2014		**275**	**1,202**	**(53)**	**143**	**79**	**(43)**	**47**	**876**	**19**	**6,449**	**8,994**	**379**	**9,373**
Profit for the year		–	–	–	–	–	–	–	–	–	**750**	**750**	**72**	**822**
Other comprehensive (loss) / income		–	–	–	–	–	–	–	**(81)**	**7**	–	**(74)**	**(1)**	**(75)**
Total comprehensive (loss) / income for the year		–	–	–	–	–	–	–	**(81)**	**7**	**750**	**676**	**71**	**747**
Acquisitions of non-controlling interests		–	–	**(8)**	–	–	–	–	–	–	–	**(8)**	**(11)**	**(19)**
Capital injection from holders of non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	**7**	**7**
Share-based payments	6(b)	–	–	–	–	–	–	**26**	–	–	–	**26**	–	**26**
Lapse of share options		–	–	–	–	–	–	**(1)**	–	–	**1**	–	–	–
Transition to no-par value	29	**1,202**	**(1,202)**	–	–	–	–	–	–	–	–	–	–	–
Transfer from retained profits		–	–	**14**	–	**3**	–	–	–	–	**(17)**	–	–	–
Dividends	12	–	–	–	–	–	–	–	–	–	**(366)**	**(366)**	–	**(366)**
Dividends to holders of non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	**(5)**	**(5)**
At 31 December 2014		**1,477**	–	**(47)**	**143**	**82**	**(43)**	**72**	**795**	**26**	**6,817**	**9,322**	**441**	**9,763**

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

HK$ million	Note	Share capital (29(a))	Share premium (29(b))	Share option reserve (29(g))	Retained profits (29(j))	Total
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	12	–	–	–	(321)	(321)
At 31 December 2013		275	1,202	47	2,491	4,015
At 1 January 2014		**275**	**1,202**	**47**	**2,491**	**4,015**
Total comprehensive income for the year		**–**	**–**	**–**	**713**	**713**
Transition to no-par value	29	**1,202**	**(1,202)**	**–**	**–**	**–**
Share-based payments		**–**	**–**	**26**	**–**	**26**
Lapse of share options		**–**	**–**	**(1)**	**1**	**–**
Dividends	12	**–**	**–**	**–**	**(366)**	**(366)**
At 31 December 2014		**1,477**	**–**	**72**	**2,839**	**4,388**

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2014

HK$ million	2014	2013
Operating activities		
Profit before taxation	**1,094**	1,274
Adjustments for		
– Net (gain) / loss on		
– remeasurement of an investment property reclassified as asset held for sale	**–**	(12)
– remeasurement of other investment properties	**(10)**	(19)
– disposal of asset held for sale	**(97)**	–
– disposal of lease prepayment	**(5)**	–
– disposal of fixed assets	**(2)**	(6)
– disposal of subsidiaries	**1**	(3)
– disposal of available-for-sale investments	**(3)**	–
– Net provision / (reversal) of impairment losses on		
– amounts due from joint ventures	**25**	–
– property, plant and equipment	**24**	(2)
– intangible assets	**4**	–
– trade and other receivables	**(4)**	–
– Depreciation and amortisation	**573**	566
– Finance costs	**268**	234
– Interest income	**(16)**	(19)
– Share of profit after tax of associates	**(13)**	(11)
– Share of loss / (profit) after tax of joint ventures	**2**	(13)
– Share-based payments	**26**	21
– Net fair value gain on foreign currency forward contracts	**(4)**	(2)
– Foreign exchange gain	**(5)**	(41)
Operating profit before changes in working capital	**1,858**	1,967
Increase in inventories	**(2,485)**	(599)
Increase in trade and other receivables	**(291)**	(1,186)
Increase / (decrease) in trade and other payables	**294**	(307)
Cash used in operations	**(624)**	(125)
Income tax paid	**(195)**	(387)
Net cash used in operating activities	**(819)**	(512)

For the year ended 31 December 2014

HK$ million	Note	**2014**	2013
Investing activities			
Payment for purchase of fixed assets		**(893)**	(1,036)
Payment for lease prepayments		**(40)**	(18)
Payment for purchase of intangible assets		**(21)**	–
Proceeds from disposal of asset held for sale		**242**	–
Proceeds from disposal of fixed assets		**256**	305
Proceeds from disposal of lease prepayments		**–**	4
Proceeds from disposal of available-for-sale investments		**3**	–
Capital injection to associates	19	**(58)**	(15)
Net repayment to associates		**(1)**	(4)
Net (repayment to) / advance from joint ventures		**(20)**	163
Net cash outflow for business combinations	31	**(44)**	(269)
Net cash outflow for disposal of subsidiaries		**–**	(3)
Net cash outflow for acquisition of subsidiaries under common control		**–**	(8)
Capital injection from holders of non-controlling interests		**7**	–
Interest received		**16**	19
Dividends received from an associate		**40**	–
Dividends received from joint ventures		**–**	2
Decrease in deposits with banks		**3**	12
Net cash used in investing activities		**(510)**	(848)
Financing activities			
Proceeds from bank and other loans drawdown		**18,721**	14,623
Repayment of bank and other loans		**(17,429)**	(13,640)
Net cash used in acquisitions of non-controlling interests		**(70)**	(146)
Net advance from holders of non-controlling interests		**85**	40
Interest paid		**(267)**	(234)
Dividends paid to shareholders of the Company		**(366)**	(321)
Dividends paid to holders of non-controlling interests		**–**	(31)
Proceeds from shares issued under share option scheme		**–**	12
Net cash generated from financing activities		**674**	303
Net decrease in cash and cash equivalents		**(655)**	(1,057)
Cash and cash equivalents at 1 January		**1,907**	2,951
Effect of foreign exchange rates changes		**(16)**	13
Cash and cash equivalents at 31 December	25	**1,236**	1,907

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 32, Financial instruments – Presentation:* The amendments clarify the offsetting criteria of financial assets and financial liabilities

– *Amendments to HKAS 36, Impairment of assets:* The amendments modify the disclosure requirements for recoverable amount of impaired non-financial assets

– *HK(IFRIC) 21, Levies:* The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised

The adoption of the above new standards and amendments does not have any significant impact on these financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Changes in accounting policies (continued)

(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 2014.

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:

– *Annual improvements to HKFRSs 2010 – 2012 cycle*

– *Annual improvements to HKFRSs 2011 – 2013 cycle*

– *Amendments to HKAS 16 and HKAS 38, Clarification of acceptable methods of depreciation and amortisation*

– *HKFRS 15, Revenue from contracts with customers*

– *HKFRS 9, Financial Instruments*

(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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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 unit ("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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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	40 years
Others	4 – 20 years

Intangible assets with an indefinite useful life are stated in the balance sheet at cost less accumulated impairment losses, if any.

Effective from 1 July 2014, the Group revised the estimated useful life of car dealerships from 20 years to 40 years. Management considers the revised estimated useful life is more appropriate as it better reflects the estimated periods during which such assets will remain in service. Based on the car dealerships portfolio as at 31 December 2014, the effect of this change has decreased amortisation expense and increased profit for the year ended 31 December 2014 by approximately HK$10 million, the full year impact thereafter is estimated to be approximately HK$20 million.

(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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the provision for impairment of trade and other receivables are recorded separately.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of assets (continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill and intangible assets with an indefinite useful life, 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.

(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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 capital 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.

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 14(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.

(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 is 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.

2. ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(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.

(g) Contingent considerations of acquisitions

One of the Group's business acquisitions has involved post-acquisition performance-based contingent considerations. The Group recognises the fair value of those contingent considerations for acquisition at the acquisition date. These fair value measurements require estimation of post-acquisition performance of the acquired business and judgment on time value of money. Remeasurements of contingent considerations at their fair values resulting from events or factors emerging after the acquisition date would affect the Group's profit or loss in future years.

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	**2014**	2013
Sales of motor vehicles, motor parts, accessories and motor services	**36,012**	32,624
Sales of food and consumer products	**9,872**	9,134
Logistics services and other related income	**572**	461
Revenue from other business	**33**	42
Total	**46,489**	42,261

4. SEGMENT REPORTING

The Group manages its businesses by business line and geographical location. In a manner 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 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, food processing 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 and Singapore.

(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.

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 2014**	**Motor and Motor Related Business**				**Food and Consumer Products Business**						
	Hong Kong & Macao	**Mainland China**	**Other Markets**	**Sub-total**	**Hong Kong & Macao**	**Mainland China**	**Other Markets**	**Sub-total**	**Other Business**	**Inter-segment elimination**	**Total**
Turnover from external customers	6,587	27,353	2,072	36,012	5,349	4,459	636	10,444	33	–	46,489
Inter-segment turnover	15	–	–	15	–	1	–	1	100	(116)	–
Segment Turnover	6,602	27,353	2,072	36,027	5,349	4,460	636	10,445	133	(116)	46,489
Segment result from operations	564	380	160	1,104	275	52	2	329	65	–	1,498
Share of profit / (loss) after tax of associates	–	(3)	–	(3)	–	16	–	16	–	–	13
Share of profit / (loss) after tax of joint ventures	–	(3)	–	(3)	(3)	(1)	–	(4)	5	–	(2)
Segment profit before taxation	564	374	160	1,098	272	67	2	341	70	–	1,509
Segment income tax	(75)	(84)	(35)	(194)	(40)	(27)	(6)	(73)	(15)	–	(282)
Segment profit / (loss) after taxation	489	290	125	904	232	40	(4)	268	55	–	1,227

HK$ million Year ended 31 December 2013	Motor and Motor Related Business				Food and Consumer Products Business						
	Hong Kong & Macao	Mainland China	Other Markets	Sub-total	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

4. SEGMENT REPORTING (CONTINUED)

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

HK$ million	Note	**2014**	2013
Segment profit after taxation		**1,227**	1,227
Net gain / (loss) on			
– remeasurement of an investment property reclassified as asset held for sale		**–**	12
– remeasurement of other investment properties		**10**	19
– disposal of asset held for sale	23	**97**	–
– disposal of investment properties	5	**–**	8
– disposal of land and buildings held for own use	5	**–**	(5)
– disposal of lease prepayment	5	**5**	–
– disposal of subsidiaries	5	**(1)**	3
Amortisation of fair value adjustments on property, plant and equipment and intangible assets arising from business combinations		**(50)**	(58)
Net (provision) / reversal of impairment losses on			
– property, plant and equipment		**(9)**	2
– intangible assets	16	**(4)**	–
– amounts due from joint ventures	20	**(25)**	–
Loss on termination of lease		**(26)**	–
Net fair value gain on foreign currency forward contracts	5	**4**	2
Net fair value (loss) / gain on interest rate swaps and cross currency swap		**(1)**	1
Share-based payments	6(b)	**(26)**	(21)
Wind down costs of manufacturing operation	7	**(64)**	–
Unallocated corporate expenses		**(325)**	(293)
Reconciliation items before taxation		**(415)**	(330)
Tax impact:			
Net tax effect on the above reconciliation items		**10**	37
Reconciliation items net of taxation		**(405)**	(293)
Profit for the year		**822**	934

4. SEGMENT REPORTING (CONTINUED)

(c) Other segment information

The following table sets out other information by reportable segment:

HK$ million Year ended 31 December 2014	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	Total
Segmental depreciation and amortisation	**75**	**289**	**23**	**387**	**38**	**54**	**9**	**101**	**19**	**507**
Segmental interest income	**3**	**37**	**–**	**40**	**–**	**5**	**1**	**6**	**1**	**47**
Segmental interest expense	**4**	**118**	**4**	**126**	**2**	**48**	**7**	**57**	**1**	**184**
Segmental write-down of inventories	**39**	**19**	**4**	**62**	**3**	**11**	**1**	**15**	**–**	**77**
Segmental reversal of write-down of inventories	**6**	**7**	**4**	**17**	**3**	**–**	**18**	**21**	**–**	**38**

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	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

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 and Taiwan. 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	**2014**	2013	**2014**	2013
Hong Kong & Macao	**11,947**	10,767	**1,033**	1,036
Mainland China	**31,812**	28,569	**5,202**	4,936
Other Markets	**2,730**	2,925	**433**	455
Total	**46,489**	42,261	**6,668**	6,427

5. OTHER INCOME

HK$ million	**2014**	2013
Commission income	**330**	262
Handling and service charge income	**173**	155
Advertisement and other subsidies from suppliers	**135**	147
Forfeited deposit from customers	**41**	5
Government subsidies	**22**	74
Interest income from bank deposits	**15**	18
Other interest income	**1**	1
Net gain on disposal of asset held for sale	**97**	–
Net gain on disposal of lease prepayment	**5**	–
Net gain on disposal of other fixed assets	**10**	3
Net gain on disposal of available-for-sale investments	**3**	–
Net (loss) / gain on disposal of subsidiaries	**(1)**	3
Net exchange gain	**7**	34
Net fair value gain on foreign currency forward contracts	**4**	2
Goodwill payment received	**–**	28
Compensation received for early termination of lease	**–**	11
Net gain on disposal of investment properties	**–**	8
Net loss on disposal of land and buildings held for own use	**–**	(5)
Others	**81**	75
Total	**923**	821

6. PROFIT BEFORE TAXATION

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

(a) Finance costs

HK$ million	**2014**	2013
Interest on bank advances and other borrowings wholly repayable within five years	**268**	234

(b) Staff costs

HK$ million	**2014**	2013
Salaries, wages and other benefits	**2,844**	2,520
Contributions to defined contribution retirement schemes (Note)	**140**	129
Share-based payments (Note 30)	**26**	21
Total	**3,010**	2,670

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	Note	**2014**	2013
Amortisation			
– lease prepayments	15	**12**	10
– intangible assets	16	**41**	46
Depreciation	14(a)	**520**	510
Write-down of inventories	22(b)	**77**	82
Reversal of write-down of inventories	22(b)	**(38)**	(104)
Net provision / (reversal) of impairment losses on			
– amounts due from joint ventures	20	**25**	–
– property, plant and equipment	14(j)	**24**	(2)
– intangible assets	16	**4**	–
– trade and other receivables		**(4)**	–
Net loss on realised foreign currency forward contracts		**55**	3
Auditors' remuneration		**26**	26
Operating lease charges in respect of properties		**745**	642
Rental income from investment properties less direct outgoings of HK$14 million (2013: HK$14 million)		**(17)**	(24)

(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. 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 23). The disposal was completed in March 2014 with no further gain or loss.

7. WIND DOWN COSTS OF MANUFACTURING OPERATION

During the year ended 31 December 2014, the Group ceased production lines of an electrical appliances manufacturing operation in mainland China and as such, wind down costs of HK$64 million were recognised. The amount includes staff redundancy costs, write-down of inventories and net provision of impairment losses on property, plant and equipment, which are also included in the respective total amounts disclosed separately in note 6(b) and 6(c) for each of these types of expenses.

8. INCOME TAX

Hong Kong Profits Tax is calculated at 16.5% (2013: 16.5%) based 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	**2014**	2013
Current tax – Hong Kong Profits Tax		
– Provision for the year	**131**	98
– Over-provision in previous years	**(2)**	(4)
	129	94
Current tax – Outside Hong Kong		
– Provision for the year	**181**	174
– Under / (over)-provision in previous years	**1**	(5)
	182	169
Deferred tax		
– Origination and reversal of temporary differences	**(11)**	89
– Recognition of deferred tax assets on tax losses	**(41)**	(12)
– Effect of change in tax rate (Note *(ii)*)	**–**	(13)
	(52)	64
Withholding tax	**13**	13
Total	**272**	340

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 has been 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	**2014**	2013
Profit before taxation	**1,094**	1,274
Tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**183**	253
Effect of change in tax rate (Note 8(a)*(ii)*)	**–**	(13)
Tax effect of non-deductible expenses	**67**	53
Tax effect of non-taxable income	**(41)**	(44)
Tax effect of utilisation of previously unrecognised tax losses	**(58)**	(40)
Tax effect of recognition of previously unrecognised tax losses	**(21)**	–
Tax effect of unused tax losses not recognised	**130**	127
Withholding tax	**13**	13
Over-provision in previous years	**(1)**	(9)
Income tax charge	**272**	340

9. DIRECTORS' REMUNERATION

Directors' remuneration for the year ended 31 December 2014 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)*)	2014 Total	2013 Total
Executive directors								
Yip Moon Tong	–	4,580	9,600	442	14,622	1,821	16,443	17,220
Lau Sei Keung	–	3,062	6,280	295	9,637	1,467	11,104	10,100
Tsoi Tai Kwan, Arthur (Note *(ii)*)	–	–	–	–	–	–	–	6,923
Glenn Robert Sturrock Smith	–	2,580	2,580	126	5,286	1,113	6,399	6,549
Wai King Fai, Francis	–	2,878	2,130	17	5,025	910	5,935	5,983
Non-executive directors								
Hui Ying Bun (Note *(iii)*)	–	–	–	–	–	–	–	579
Zhang Jijing (Note *(iii)*)	–	–	–	–	–	–	–	–
Kwok Man Leung	–	–	–	–	–	–	–	–
Fei Yiping	–	–	–	–	–	–	–	–
Independent non-executive directors								
Cheung Kin Piu, Valiant	380	–	–	–	380	–	380	380
Hsu Hsung, Adolf	380	–	–	–	380	–	380	380
Yeung Yue Man	380	–	–	–	380	–	380	380
Chan Kay Cheung	380	–	–	–	380	–	380	281
Total	1,520	13,100	20,590	880	36,090	5,311	41,401	48,775

Notes:

(i) Details of the share option scheme are set out in note 30.

(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.

10. FIVE HIGHEST PAID INDIVIDUALS AND EMOLUMENTS OF SENIOR MANAGEMENT

(a) Five highest paid individuals

Of the five highest paid individuals of the Group for the year ended 31 December 2014, four (2013: all) are directors of the Company, whose emoluments are disclosed in note 9. The emolument in respect of the remaining individual is as follows:

HK$ thousand	**2014**
Salaries, allowances and other benefits	**3,579**
Discretionary bonuses	**3,280**
Contributions to defined contribution retirement schemes	**252**
Share-based payments	**1,113**
Total	**8,224**

(b) Emoluments of senior management

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

	Number of individuals	
Emolument band (HK$)	**2014**	2013
5,000,001 – 6,000,000	**1**	–
4,000,001 – 5,000,000	**1**	3
3,000,001 – 4,000,000	**3**	2
2,000,001 – 3,000,000	**5**	7
1,000,001 – 2,000,000	**1**	–
Below 1,000,001	**1**	–
Total	**12**	12

11. PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The Company's profit for the year is HK$713 million (2013: HK$980 million). After excluding the dividend income from subsidiaries of HK$844 million (2013: HK$1,089 million) which is attributable to profits in previous years, and other inter-company net income of HK$9 million (2013: net expenses of HK$28 million and reversal of impairment losses on amounts due from subsidiaries of HK$24 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$140 million (2013: loss of HK$105 million).

12. DIVIDENDS

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

HK$ million	**2014**	2013
Interim dividend declared and paid of 9.30 HK cents (2013: 8.68 HK cents) per share	**170**	159
Final dividend proposed after the balance sheet date of 6.60 HK cents (2013: 10.72 HK cents) per share	**121**	196
Total	**291**	355

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	**2014**	2013
Final dividend approved and paid of 10.72 HK cents (2013: 8.88 HK cents) per share	**196**	162

13. BASIC AND DILUTED EARNINGS PER SHARE

(a) Basic earnings per share

The basic earnings per share is based on the profit attributable to shareholders of the Company of HK$750 million (2013: HK$901 million) and the weighted average number of ordinary shares in issue during the year which is calculated as follows:

	Number of ordinary shares	
	2014	2013
Issued ordinary shares at 1 January	**1,831,993,000**	1,829,743,000
Effect of share options exercised	**–**	1,099,863
Weighted average number of ordinary shares	**1,831,993,000**	1,830,842,863

(b) Diluted earnings per share

The diluted earnings per share for the year ended 31 December 2014 is the same as basic earnings per share as the potential ordinary shares in respect of outstanding share options are anti-dilutive.

The diluted earnings per share for the year ended 31 December 2013 is based on the profit attributable to shareholders of the Company of HK$901 million and the weighted average number of ordinary shares (diluted) which is calculated as follows:

	Number of ordinary shares
Weighted average number of ordinary shares (Note 13(a))	1,830,842,863
Effect of deemed issue of shares under the Company's share option scheme	2,237,160
Weighted average number of ordinary shares (diluted)	1,833,080,023

14. FIXED ASSETS

(a) Group

HK$ million	Note	Land and buildings held for own use	Construction in progress	Others	Sub-total	Investment properties	Total
		14(e)		14(f)		14(g)	
Cost or valuation:							
At 1 January 2014		**2,749**	**180**	**3,514**	**6,443**	**366**	**6,809**
Exchange adjustments		**(15)**	**(1)**	**(17)**	**(33)**	**(30)**	**(63)**
Additions		**72**	**254**	**573**	**899**	**–**	**899**
Acquisition of a subsidiary	31	**6**	**–**	**4**	**10**	**–**	**10**
Transfer to inventories	14(c)	**–**	**–**	**(39)**	**(39)**	**–**	**(39)**
Transfer to investment properties	14(d)	**(15)**	**–**	**–**	**(15)**	**28**	**13**
Reclassification		**227**	**(307)**	**80**	**–**	**–**	**–**
Amortisation capitalised in construction in progress	15	**–**	**2**	**–**	**2**	**–**	**2**
Disposals		**(50)**	**(2)**	**(507)**	**(559)**	**–**	**(559)**
Net gain on remeasurement		**–**	**–**	**–**	**–**	**10**	**10**
At 31 December 2014		**2,974**	**126**	**3,608**	**6,708**	**374**	**7,082**
Representing:							
Cost		**2,974**	**126**	**3,608**	**6,708**	**–**	**6,708**
Valuation		**–**	**–**	**–**	**–**	**374**	**374**
At 31 December 2014		**2,974**	**126**	**3,608**	**6,708**	**374**	**7,082**
Accumulated depreciation and impairment:							
At 1 January 2014		**687**	**–**	**1,958**	**2,645**	**–**	**2,645**
Exchange adjustments		**(4)**	**–**	**(5)**	**(9)**	**–**	**(9)**
Acquisition of a subsidiary	31	**3**	**–**	**3**	**6**	**–**	**6**
Charge for the year	6(c)	**103**	**–**	**417**	**520**	**–**	**520**
Impairment loss	14(j)	**–**	**–**	**24**	**24**	**–**	**24**
Transfer to inventories	14(c)	**–**	**–**	**(33)**	**(33)**	**–**	**(33)**
Transfer to investment properties	14(d)	**(3)**	**–**	**–**	**(3)**	**–**	**(3)**
Written back on disposals		**(10)**	**–**	**(253)**	**(263)**	**–**	**(263)**
At 31 December 2014		**776**	**–**	**2,111**	**2,887**	**–**	**2,887**
Net book value:							
At 31 December 2014		**2,198**	**126**	**1,497**	**3,821**	**374**	**4,195**

14. 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	14(e)		14(f)		14(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		111	–	94	205	–	205
Acquisition of subsidiaries under common control		–	–	6	6	–	6
Transfer to asset held for sale	23	(29)	–	–	(29)	(131)	(160)
Transfer to inventories	14(c)	–	–	(72)	(72)	–	(72)
Transfer to investment properties	14(d)	(1)	–	–	(1)	17	16
Reclassification		252	(298)	46	–	–	–
Amortisation capitalised in construction in progress	15	–	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		17	–	55	72	–	72
Acquisition of subsidiaries under common control		–	–	4	4	–	4
Charge for the year	6(c)	91	–	419	510	–	510
Impairment loss		–	–	(2)	(2)	–	(2)
Transfer to asset held for sale	23	(10)	–	–	(10)	–	(10)
Transfer to inventories	14(c)	–	–	(52)	(52)	–	(52)
Transfer to investment properties	14(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

14. FIXED ASSETS (CONTINUED)

(b) Company

HK$ million	Investment property
At valuation:	
At 1 January 2013	**196**
Disposal	**(196)**
At 31 December 2013, 1 January and 31 December 2014	**–**

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

(c) During the year ended 31 December 2014, certain motor vehicles with carrying amount of HK$6 million (2013: HK$20 million) were transferred to inventories when they ceased to be rented.

(d) During the year ended 31 December 2014, a property with carrying amount of HK$12 million in land and buildings held for own use and the corresponding lease prepayment with carrying amount of HK$3 million (Note 15) was transferred 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$7 million (net of tax) was credited to asset revaluation reserve and was included in "revaluation gain recognised upon transfer from property held for own use to investment property, net of tax" in the Group's other comprehensive income.

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 and was included in "revaluation gain recognised upon transfer from property held for own use to investment property, net of tax" in the Group's other comprehensive income.

(e) The net book value of land and buildings held for own use under finance lease was HK$127 million at 31 December 2014 (2013: HK$130 million).

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

(g) Property valuation

All investment properties were revalued at 31 December 2014 by the following independent valuers with recognised professional qualifications and relevent 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

14. FIXED ASSETS (CONTINUED)

(g) Property valuation (continued)

Fair value hierarchy

The fair value measurement of the Group's investment properties have been categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement* (Note 32(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 recognises transfers between levels of fair value hierarchy at the end of the reporting period in which they occur.

The fair value measurement of all investment properties at 31 December 2014 falls into Level 3 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 14(d))	17	–	–	17
Disposals	–	–	(47)	(47)
Unrealised fair value gain (Note *(ii)*)	11	2	6	19
At 31 December 2013	42	69	255	366
At 1 January 2014	**42**	**69**	**255**	**366**
Exchange adjustments	**–**	**–**	**(30)**	**(30)**
Transfer to Level 3 (Note 14(d))	**–**	**28**	**–**	**28**
Unrealised fair value gain (Note *(ii)*)	**1**	**2**	**7**	**10**
At 31 December 2014	**43**	**99**	**232**	**374**

Notes:

(i) An investment property held for sale (Note 23) was 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.

(ii) The "unrealised fair value gain" for the years ended 31 December 2013 and 2014 was related to investment properties held by the Group at the balance sheet date and was included in "net gain on remeasurement of other investment properties" in the consolidated income statement.

Company

The Company had disposed of its investment property to a subsidiary during the year ended 31 December 2013, which was located in Hong Kong and falls into Level 3 (Note 14(b)).

14. FIXED ASSETS (CONTINUED)

(g) Property valuation (continued)

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. The income capitalisation approach values the properties by capitalisation of the net rental income with due allowance to the reversionary income potential.

The fair value of certain investment properties located in mainland China is determined by using depreciated replacement cost approach. Depreciated replacement cost approach is an estimate of the market value for the existing use of land, plus the gross replacement costs of the improvements as at the valuation date, less allowances for age, condition and functional obsolescence.

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$14.6 – HK$90.0 (2013: HK$12.6 – HK$90.0)
		Capitalisation rate	*(ii)*	3.5% – 4.0% (2013: 3.5% – 4.0%)
Mainland China	Income Capitalisation Approach	Average market rent per sq. m. per month	*(i)*	RMB10.0 – RMB36.5 (2013: RMB10.0 – RMB17.4)
		Capitalisation rate	*(ii)*	7.0% – 9.0% (2013: 8.5% – 10.0%)
	Depreciated Replacement Cost Approach	Average unit price of land per sq. m.	*(i)*	RMB290 – RMB395 (2013: RMB284 – RMB387)
		Average construction cost per sq. m.	*(i)*	RMB185 – RMB477 (2013: RMB204 – RMB502)
Japan	Discounted Cash Flow Approach	Discount rate	*(ii)*	6.0% – 6.2% (2013: 6.0% – 6.2%)
	Direct Comparison Approach	Property-specific adjusting rate	*(i)*	0.9 – 1.2 (2013: 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

14. FIXED ASSETS (CONTINUED)

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

HK$ million	Group **2014**	2013
Investment properties		
In Hong Kong		
– Long term lease	**26**	25
– Medium term lease	**17**	17
Outside Hong Kong		
– Freehold properties	**232**	255
– Medium term lease	**99**	69
At 31 December	**374**	366

HK$ million	Group **2014**	2013
Land and buildings held for own use		
In Hong Kong		
– Long term lease	**66**	69
– Medium term lease	**223**	239
– Short term lease	**1**	1
Outside Hong Kong		
– Freehold properties	**61**	51
– Medium term lease	**1,654**	1,583
– Short term lease	**193**	119
At 31 December	**2,198**	2,062

(i) Certain buildings situated in mainland China with an aggregate net book value of HK$951 million at 31 December 2014 (2013: HK$696 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 2014, the Group ceased production lines of an electrical appliances manufacturing operation (Note 7). As a result, impairment losses of HK$15 million have been provided for certain fixed assets under Food and Consumer Products Business based on their recoverable amounts. The recoverable amounts of these fixed assets were negligible based on their value in use, hence no discounting was applied to the assessment.

Apart from the above, impairment losses of HK$9 million have been provided for Motor and Motor Related Business. The recoverable amounts of the impaired fixed assets were minimal based on their value in use, hence no discounting was applied to the assessment.

14. FIXED ASSETS (CONTINUED)

(k) Fixed assets leased out under operating leases

The Group leases out various fixed assets 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	**2014**	2013
Within 1 year	**109**	92
After 1 year but within 5 years	**98**	59
After 5 years	**41**	42
At 31 December	**248**	193

15. LEASE PREPAYMENTS

	Group	
HK$ million	**2014**	2013
Cost:		
At 1 January	**608**	545
Exchange adjustments	**(3)**	11
Acquisition of subsidiaries	**–**	40
Additions	**40**	18
Disposals	**(8)**	(6)
Transfer to investment properties (Note 14(d))	**(4)**	–
At 31 December	**633**	608
Accumulated amortisation and impairment:		
At 1 January	**71**	54
Exchange adjustments	**(1)**	3
Acquisition of subsidiaries	**–**	3
Charge for the year (Note 6(c))	**12**	10
Amortisation capitalised in construction in progress (Note 14(a))	**2**	3
Transfer to investment properties (Note 14(d))	**(1)**	–
Written back on disposals	**(1)**	(2)
At 31 December	**82**	71
Net book value:		
At 31 December	**551**	537

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

	Group	
HK$ million	**2014**	2013
Outside Hong Kong – medium term lease	**551**	537

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

16. INTANGIBLE ASSETS

Group

HK$ million	**Car dealerships**	**Others**	**Total**
		(Note *(i)*)	
Cost:			
At 1 January 2014	**756**	**141**	**897**
Exchange adjustments	**(2)**	**–**	**(2)**
Acquisition of business / a subsidiary (Note 31)	**11**	**65**	**76**
Additions	**4**	**46**	**50**
At 31 December 2014	**769**	**252**	**1,021**
Accumulated amortisation and impairment:			
At 1 January 2014	**148**	**29**	**177**
Charge for the year (Note *(ii)*) (Note 6(c))	**33**	**8**	**41**
Impairment loss (Note 6(c))	**4**	**–**	**4**
At 31 December 2014	**185**	**37**	**222**
Net book value:			
At 31 December 2014	**584**	**215**	**799**

HK$ million	Car dealerships	Others	Total
		(Note *(i)*)	
Cost:			
At 1 January 2013	734	64	798
Exchange adjustments	15	1	16
Acquisition of subsidiaries	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)*) (Note 6(c))	36	10	46
At 31 December 2013	148	29	177
Net book value:			
At 31 December 2013	608	112	720

Notes:

(i) Others mainly comprise trademarks, customer relationships and license plates.

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

17. GOODWILL

HK$ million	Group 2014	2013
Cost:		
At 1 January	**388**	376
Exchange adjustments	**–**	2
Acquisition of a subsidiary (Note 31)	**2**	10
At 31 December	**390**	388
Accumulated impairment:		
At 1 January and 31 December	**32**	32
Carrying amount:		
At 31 December	**358**	356

Impairment tests for goodwill

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

HK$ million		2014	2013
Motor and Motor Related Business	– Mainland China	**153**	151
Food and Consumer Products Business	– Hong Kong & Macao	**202**	202
	– Mainland China	**3**	3
		358	356

The recoverable amount of the CGU is determined based on value in use calculations. These calculations use cash flow projections, which are prepared on the basis of reasonable assumptions reflective of prevailing and future market conditions, and are discounted using pre-tax discount rates ranging from 12% to 14% (2013: 14% to 15%).

18. INTERESTS IN SUBSIDIARIES

HK$ million	Company 2014	2013
Unlisted investments, at cost	**19**	19
Amounts due from subsidiaries	**7,145**	5,589
At 31 December	**7,164**	5,608

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 which is non-interest bearing and in which an amount of HK$84 million is recoverable after one year upon request as at 31 December 2013 and 2014.

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

19. INTERESTS IN ASSOCIATES

	Group	
HK$ million	**2014**	2013
Share of net assets at 31 December	**350**	224

During the year ended 31 December 2014, the Group increased its investment in several associates amounted to HK$112 million, in which HK$58 million was injected by cash and the remaining HK$54 million by property held for own use and lease prepayment.

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$32,000,000	40.00	Production of beverage
Shanghai Shineway DCH Co., Ltd.	PRC	RMB485,000,000	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.

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	**2014**	2013
Carrying amount in the consolidated financial statements	**350**	224
The Group's effective share of those associates':		
Profit for the year	**13**	11
Other comprehensive income	**1**	6
Total comprehensive income	**14**	17

20. INTERESTS IN JOINT VENTURES

	Group	
HK$ million	**2014**	2013
Share of net assets	**190**	201
Goodwill	**1**	1
Amounts due from joint ventures	**224**	224
At 31 December	**415**	426

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$51 million (2013: HK$25 million) which is interest bearing at 3% per annum as at 31 December 2013 and 2014.

During the year ended 31 December 2014, the recoverability of the amounts due from joint ventures had been assessed. Based on the assessment, net provision for impairment losses of HK$25 million (2013: Nil) was recognised.

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 / operation	Paid-up 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
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.

20. 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	**2014**	2013
Carrying amount in the consolidated financial statements	**415**	426
The Group's effective share of those joint ventures':		
(Loss) / profit for the year	**(2)**	13
Other comprehensive (loss) / income	**(1)**	4
Total comprehensive (loss) / income	**(3)**	17

21. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
HK$ million	**2014**	2013
Unlisted investments at 31 December	**8**	8

22. INVENTORIES

(a) Inventories in the consolidated balance sheet represent:

	Group	
HK$ million	**2014**	2013
Finished goods	**8,663**	6,180
Raw materials	**59**	66
Work-in-progress	**1**	13
At 31 December	**8,723**	6,259

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

	Group	
HK$ million	**2014**	2013
Carrying amount of inventories sold	**39,678**	34,852
Write-down of inventories (Note 6(c))	**77**	82
Reversal of write-down of inventories (Note 6(c))	**(38)**	(104)
Total	**39,717**	34,830

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

23. ASSET HELD FOR SALE

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 June 2014, the Group entered into a sale and purchase agreement with an independent third party to dispose of such property at a consideration of CAD17 million. The disposal was completed in October 2014. After netting off related transaction expenses, a net gain of HK$97 million was recognised in the consolidated income statement for the year ended 31 December 2014.

In December 2013, an investment property situated in Hong Kong with carrying amount of HK$131 million was reclassified as asset held for sale following the Group's plan to dispose of the property (Note 6(d)). The fair value of the property was HK$143 million at 31 December 2013. The disposal was completed in March 2014.

24. TRADE AND OTHER RECEIVABLES

		Group		Company	
HK$ million	Note	**2014**	2013	**2014**	2013
Trade debtors and bills receivable		**3,016**	3,015	**–**	–
Less: provision for impairment of trade debtors	24(b)	**(55)**	(59)	**–**	–
		2,961	2,956	**–**	–
Other receivables, deposits and prepayments		**3,681**	3,470	**3**	1
Gross amount due from customers for contract work	24(d)	**8**	2	**–**	–
Amounts due from subsidiaries	24(e)	**–**	–	**2,219**	2,208
Amounts due from an intermediate holding company	24(f)	**2**	–	**–**	–
Amounts due from fellow subsidiaries	24(f)	**1**	1	**–**	–
Amounts due from associates	24(f)	**5**	47	**–**	–
Amounts due from joint ventures	24(g)	**1**	–	**–**	–
Derivative financial instruments		**9**	7	**–**	1
At 31 December		**6,668**	6,483	**2,222**	2,210

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$143 million at 31 December 2014 (2013: HK$105 million). The remaining balances of trade and other receivables are expected to be recovered or recognised as expense within one year.

24. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Ageing analysis

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

	Group	
HK$ million	**2014**	2013
Within 3 months	**2,795**	2,770
More than 3 months but within 1 year	**142**	164
Over 1 year	**24**	22
At 31 December	**2,961**	2,956

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

Certain trade debtors were in financial difficulties and individually determined to be impaired. The movement in the provision for impairment of these trade debtors during the year is as follows:

	Group	
HK$ million	**2014**	2013
At 1 January	**59**	63
Exchange adjustments	**–**	(1)
Acquisition of a subsidiary	**–**	1
Acquisition of subsidiaries under common control	**–**	5
Net reversal of impairment loss	**(3)**	(1)
Uncollectible amounts written off	**(1)**	(8)
At 31 December	**55**	59

(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$222 million at 31 December 2014 (2013: HK$308 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	**2014**	2013
Overdue for 1 to 3 months	**128**	223
Overdue for more than 3 months but within 1 year	**75**	66
Overdue over 1 year	**19**	19
At 31 December	**222**	308

24. TRADE AND OTHER RECEIVABLES (CONTINUED)

(d) Construction contracts

HK$ million	Group 2014	2013
Contract costs incurred plus profits less losses	**61**	82
Progress billings	**(60)**	(103)
At 31 December	**1**	(21)
Representing:		
Gross amount due from customers for contract work	**8**	2
Gross amount due to customers for contract work	**(7)**	(23)
At 31 December	**1**	(21)

The gross amounts due from / to customers for contract work 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$1,401 million (2013: HK$1,207 million) which is interest bearing at 1 week HIBOR per annum as at 31 December 2013 and 2014.

(f) The amounts due from an intermediate holding company, fellow subsidiaries and associates 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 as at 31 December 2013 and 2014.

(g) The amounts due from joint ventures of the Group are unsecured, non-interest bearing and recoverable on demand.

25. CASH AND CASH EQUIVALENTS

The analysis of cash and cash equivalents is as follows:

HK$ million	Note	Group 2014	Group 2013	Company 2014	Company 2013
Cash and bank deposits		**1,493**	2,173	**14**	16
Less:					
Pledged deposits	26(d)	**(250)**	(253)	**–**	–
Bank overdrafts	26(b)	**(7)**	(13)	**–**	–
At 31 December		**1,236**	1,907	**14**	16

Included in cash and cash equivalents of the Group, HK$923 million (2013: HK$1,503 million) are denominated in Renminbi. Renminbi is not a freely convertible currency and the remittance of funds out of mainland China is subject to exchange restrictions imposed by the Government of the People's Republic of China.

26. BORROWINGS

HK$ million	Note	Group 2014	Group 2013	Company 2014	Company 2013
Bank loans and overdrafts	26(a) and (b)	**8,361**	7,263	**4,691**	3,602
Other loans	26(c)	**300**	161	**–**	–
At 31 December		**8,661**	7,424	**4,691**	3,602

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

HK$ million	Group 2014	Group 2013	Company 2014	Company 2013
Within 1 year or on demand	**5,102**	5,447	**1,681**	1,788
After 1 year but within 2 years	**199**	1,520	**199**	1,518
After 2 years but within 5 years	**3,060**	296	**2,811**	296
	3,259	1,816	**3,010**	1,814
At 31 December	**8,361**	7,263	**4,691**	3,602

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

HK$ million	Note	Group 2014	Group 2013	Company 2014	Company 2013
Bank overdrafts					
– unsecured	25	**7**	13	**–**	–
Bank loans					
– secured		**310**	400	**–**	–
– unsecured		**8,044**	6,850	**4,691**	3,602
		8,354	7,250	**4,691**	3,602
At 31 December		**8,361**	7,263	**4,691**	3,602

(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 corporate guarantees granted by holders of non-controlling interests for the year ended 31 December 2013 and 2014.

26. BORROWINGS (CONTINUED)

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

HK$ million	Note	**2014**	2013
Inventories		**550**	477
Bank deposits	25	**250**	253
Trade and other receivables		**77**	40
Property, plant and equipment		**–**	25
At 31 December		**877**	795

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 2013 and 2014, none of the covenants relating to drawn down facilities had been breached (Note 29(k)).

27. TRADE AND OTHER PAYABLES

		Group		**Company**	
HK$ million	Note	**2014**	2013	**2014**	2013
Trade creditors and bills payable	27(a)	**1,669**	1,588	**–**	–
Other payables and accrued charges		**2,709**	2,515	**22**	16
Gross amount due to customers for contract work	24(d)	**7**	23	**–**	–
Amounts due to subsidiaries	27(b)	**–**	–	**296**	198
Amounts due to associates	27(c)	**18**	9	**–**	–
Amounts due to joint ventures	27(c)	**9**	10	**–**	–
Amounts due to holders of non-controlling interests	27(c)	**352**	268	**–**	–
Provision for product rectification	27(d)	**43**	41	**–**	–
Derivative financial instruments		**10**	11	**3**	3
At 31 December		**4,817**	4,465	**321**	217

Apart from certain trade and other payables of the Group at 31 December 2014 of HK$61 million (2013: HK$63 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.

27. TRADE AND OTHER PAYABLES (CONTINUED)

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

	Group	
HK$ million	**2014**	2013
Current or within 1 month	**1,630**	1,516
More than 1 month but within 3 months	**20**	41
More than 3 months but within 6 months	**4**	14
Over 6 months	**15**	17
At 31 December	**1,669**	1,588

(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 which is interest bearing at 1 month HIBOR per annum as at 31 December 2013 and 2014.

(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$33 million (2013: HK$10 million) which is interest bearing at 2% per annum as at 31 December 2013 and 2014.

(d) **Provision for product rectification**

The movement of provision for product rectification is as follows:

	Group	
HK$ million	**2014**	2013
At 1 January	**41**	43
Exchange adjustments	**–**	(1)
Additional provision made	**28**	36
Reversal of provision	**(7)**	(3)
Provision utilised	**(19)**	(34)
At 31 December	**43**	41

Under the terms of certain of the Group's sales agreements with customers and service agreements with vehicle manufacturers, the Group agrees to rectify product defects within a period not more than six 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.

28. 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 movements during the year are as follows:

HK$ million	Depreciation allowances in excess of related depreciation	Revaluation arising from business combinations (other than investment properties)	Revaluation of investment properties	Provisions	Tax losses	Undistributed profits	Total
At 1 January 2013	62	98	50	(109)	(11)	48	138
Exchange adjustments	(7)	2	(7)	4	–	(1)	(9)
Acquisition of subsidiaries	1	19	–	–	–	–	20
Effect of change in tax rate (Note 8(a))	–	–	–	–	–	(13)	(13)
(Credited) / charged to the consolidated income statement (Note 8(a))	(5)	(6)	11	101	(12)	(12)	77
At 31 December 2013	51	113	54	(4)	(23)	22	213
At 1 January 2014	**51**	**113**	**54**	**(4)**	**(23)**	**22**	**213**
Exchange adjustments	**(3)**	**(1)**	**(5)**	**1**	**–**	**(1)**	**(9)**
(Credited) / charged to the consolidated income statement (Note 8(a))	**(3)**	**(6)**	**2**	**3**	**(41)**	**(7)**	**(52)**
Charged to other comprehensive income (Note 14(d))	**–**	**–**	**6**	**–**	**–**	**–**	**6**
At 31 December 2014	**45**	**106**	**57**	**–**	**(64)**	**14**	**158**

Group

Represented by:

HK$ million	2014	2013
Deferred tax assets	**(66)**	(30)
Deferred tax liabilities	**224**	243
	158	213

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 2013	1
Credited to income statement	(1)
At 31 December 2013, 1 January and 31 December 2014	**–**

28. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

(b) Deferred tax assets not recognised

At 31 December 2014, the Group had not recognised deferred tax assets in respect of the cumulative tax losses of HK$1,974 million (2013: HK$1,766 million) as utilisation of these tax losses may not be probable. Tax losses in certain tax jurisdictions of HK$1,473 million (2013: HK$1,254 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 2014, there were temporary differences of HK$4,106 million (2013: HK$3,618 million) related to the undistributed profits of subsidiaries. Deferred tax liabilities of HK$206 million (2013: HK$182 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.

29. CAPITAL AND RESERVES

(a) Share capital

	2014		2013	
	Number of shares (in million)	**HK$ million**	Number of shares (in million)	HK$ million
Ordinary shares, issued and fully paid:				
At 1 January	**1,832**	**275**	1,830	274
Transition to no-par value (Note)	**–**	**1,202**	–	–
Shares issued under share option scheme	**–**	**–**	2	1
At 31 December	**1,832**	**1,477**	1,832	275

Note: As at 31 December 2013, 4,000 million ordinary shares, with par value of HK$0.15 each, were authorised for issue. Under the new Hong Kong Companies Ordinance (Cap. 622), which came into effect on 3 March 2014, the concept of "authorised share capital" and "par value" no longer exists. As part of the transition to the no-par value regime, the balance of the share premium as at 3 March 2014 have become part of the Company's share capital (Note 29(b)). These changes do not have an impact on the number of shares in issue or the relative entitlement of any of the shareholders.

(b) Share premium

Prior to 3 March 2014, the application of the share premium account was governed by section 48B of the predecessor Hong Kong Companies Ordinance (Cap. 32). On 3 March 2014, the balance of share premium has been transferred to issued share capital (Note 29(a)) upon abolition of par value under new Hong Kong Companies Ordinance (Cap. 622).

29. CAPITAL AND RESERVES (CONTINUED)

(c) General reserve

(i) Pursuant to articles of association of certain subsidiaries of the Group incorporated in mainland China, Taiwan, 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 2014, general reserve of HK$20 million (2013: 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.

(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 Limited, an intermediate holding company of the Company, in excess of the share capital of the subsidiaries acquired from CITIC Limited.

(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.

29. CAPITAL AND RESERVES (CONTINUED)

(j) Distributable reserves

The distributable reserves of the Company at 31 December 2014 were HK$2,839 million (2013: HK$2,491 million).

(k) Capital management

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

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

Consistent with industry practices and prior years, 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.

The net gearing ratios at 31 December 2013 and 2014 are as follows:

		Group	
HK$ million	Note	**2014**	2013
Total borrowings	26	**8,661**	7,424
Less: cash and bank deposits	25	**(1,493)**	(2,173)
Net debt		**7,168**	5,251
Shareholders' funds		**9,322**	8,994
Total capital		**16,490**	14,245
Net gearing ratio		**43.5%**	36.9%

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 and 2014, the Group had complied with all of the above financial covenants.

30. 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 a nominal consideration of HK$1 from each 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	Number of share options outstanding at 31 December	
			HK$	**2014**	2013
7 July 2010	*(i)*	23,400,000	4.766	**6,040,000**	6,140,000
8 June 2012	*(ii)*	24,450,000	7.400	**23,200,000**	23,750,000
30 April 2014	*(iii)*	28,200,000	4.930	**27,850,000**	–

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 rules (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.

(iii) Out of the 28,200,000 share options granted, 27,850,000 options were accepted and 350,000 were not as at the latest date of acceptance pursuant to the Scheme rules (i.e. 28 May 2014). 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.

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

	2014		2013	
	Weighted average exercise price per share	**Number of share options**	Weighted average exercise price per share	Number of share options
	HK$	**('000)**	HK$	('000)
Outstanding at 1 January	**6.859**	**29,890**	6.729	32,540
Granted during the year	**4.930**	**27,850**	–	–
Exercised during the year	**–**	**–**	4.883	(2,250)
Lapsed during the year	**6.995**	**(650)**	7.400	(400)
Outstanding at 31 December	**5.916**	**57,090**	6.859	29,890
Exercisable at 31 December	**6.539**	**18,765**	6.117	12,603

The weighted average share price at the date of exercise of the share options during 2013 was HK$7.116.

The share options outstanding at 31 December 2014 are with a weighted average remaining life of 3.2 years (2013: 3.0 years).

30. EQUITY COMPENSATION BENEFITS (CONTINUED)

(b) Fair value of share options and assumptions

The average fair value of the share options granted on 30 April 2014 measured at the date of grant was HK$1.37 per share option based on the following assumptions using the Binomial Lattice Model:

– Share price at the grant date	HK$4.93
– Exercise price	HK$4.93
– Expected volatility of the Company's share price	40% per annum
– Share option life	5 years
– Expected dividend yield	3.0% per annum
– Average risk-free interest rate (based on Hong Kong Exchange Fund Notes)	1.22% per annum

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

31. BUSINESS COMBINATIONS

The acquisitions completed during the year ended 31 December 2014 had the following effect on the Group's assets and liabilities on their respective dates of acquisition:

	Food and Consumer Products Business	Other	
HK$ million	Note 31(a)	Note 31(b)	Total
Property, plant and equipment (Note 14(a))	–	4	4
Intangible assets (Note 16)	65	11	76
Inventories	–	16	16
Trade and other receivables	–	9	9
Cash and bank deposits	–	9	9
Trade and other payables	–	(32)	(32)
Fair value of net assets acquired	**65**	**17**	**82**
Goodwill (Note 17)	–	2	2
Total consideration	65	19	84
Less: contingent consideration payable (Note)	(31)	–	(31)
Less: cash acquired	–	(9)	(9)
Net cash outflow	**34**	**10**	**44**

Note: Balance represents the discounted fair value of contingent consideration payable for the acquired business at the acquisition date. The undiscounted estimate amount of such payable is HK$35 million. Final amount of the settlement will be determined based on the future performance of the acquired business.

31. BUSINESS COMBINATIONS (CONTINUED)

(a) In July 2014, the Group acquired a business of distribution and retail of Japanese confectioneries and snack products in China ("Dongfeng business") via a 71% non-wholly owned subsidiary 大昌東峰食品(上海)有限公司 (Shanghai DCH Dongfeng Food Co., Ltd.).

The turnover and profit contributed by Dongfeng business from its date of acquisition to 31 December 2014 were HK$124 million and HK$7 million respectively.

A separate set of financial information for the Dongfeng business has not been prepared before the acquisition. As a result, it is impracticable for the Group to calculate the turnover and profit for the year of Dongfeng business as if the acquisition date for the business combination that occurred during the year had been as of 1 January 2014.

(b) The Group has completed an acquisition of a subsidiary during the year. Since it is relatively immaterial to both the Group's financial position and results of operation, details of this acquisition are not disclosed.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

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

(a) Credit risk

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

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

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

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

Except for the financial guarantees as set out in note 34, the Group or the Company does not provide any other guarantee which would expose the Group or the Company to credit risk.

(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.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk (continued)

The table below analyses the Group's and the Company's financial liabilities that will be settled based on the remaining periods at the balance sheet date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest payments computed based on contractual rates or, for floating rates, based on current rates ruling at the balance sheet date):

Group

HK$ million	2014 Within 1 year or on demand	2014 More than 1 year but within 2 years	2014 More than 2 years but within 5 years	2014 Total	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
Borrowings	**(5,570)**	**(295)**	**(3,220)**	**(9,085)**	(5,904)	(1,567)	(324)	(7,795)
Trade and other payables	**(3,385)**	**–**	**–**	**(3,385)**	(3,267)	–	–	(3,267)
	(8,955)	**(295)**	**(3,220)**	**(12,470)**	(9,171)	(1,567)	(324)	(11,062)
Derivatives settled gross:								
Foreign currency forward contracts								
– outflow	**(343)**	**–**	**–**	**(343)**	(493)	–	–	(493)
– inflow	**343**	**–**	**–**	**343**	490	–	–	490
Cross currency swap (Note 32(c))								
– outflow	**(249)**	**–**	**–**	**(249)**	(6)	(249)	–	(255)
– inflow	**250**	**–**	**–**	**250**	9	250	–	259
	1	**–**	**–**	**1**	–	1	–	1
Financial guarantees issued:								
Maximum amount guaranteed (Note 34(a)*(i)*)	**(2)**	**(2)**	**(9)**	**(13)**	(171)	(2)	(11)	(184)

Company

HK$ million	2014 Within 1 year or on demand	2014 More than 1 year but within 2 years	2014 More than 2 years but within 5 years	2014 Total	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
Borrowings	**(1,807)**	**(289)**	**(2,966)**	**(5,062)**	(1,868)	(1,565)	(325)	(3,758)
Trade and other payables	**(318)**	**–**	**–**	**(318)**	(217)	–	–	(217)
	(2,125)	**(289)**	**(2,966)**	**(5,380)**	(2,085)	(1,565)	(325)	(3,975)
Derivatives settled gross:								
Cross currency swap (Note 32(c))								
– outflow	**(249)**	**–**	**–**	**(249)**	(6)	(249)	–	(255)
– inflow	**250**	**–**	**–**	**250**	9	250	–	259
	1	**–**	**–**	**1**	3	1	–	4
Financial guarantees issued:								
Maximum amount guaranteed (Note 34(a)*(ii)*)	**(2,502)**	**(8)**	**(377)**	**(2,887)**	(2,984)	(180)	(33)	(3,197)

32. 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 2014, the Group and the Company had outstanding interest rate swaps with a notional contract amount of HK$2,000 million (2013: HK$1,400 million) to reduce the impact of interest rate fluctuation on the unsecured bank borrowings. The swaps will mature within 2015 to 2017 (2013: within 2014 to 2016) and have effective interest rates ranging from 2.61% to 3.47% per annum (2013: 2.36% to 3.32% per annum).

At 31 December 2013 and 2014, 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 2014, the Group recognised the fair value of outstanding interest rate swaps and cross currency swap of HK$3 million liabilities (2013: HK$2 million liabilities) as derivative financial instruments.

Sensitivity analysis

At 31 December 2014, 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$35 million (2013: HK$32 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 2013.

(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 2014, the Group had foreign currency forward contracts hedging forecast transactions with a fair value of HK$2 million assets (2013: HK$2 million liabilities) recognised as derivative financial instruments.

For bank borrowings, the functional currency of each operating entity is generally matched with its liabilities, and cross currency swap (Note 32(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.

32. 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

	2014					
in million	United States dollars	Renminbi	Euros	Japanese Yen	Pound Sterling	Hong Kong dollars
Trade and other receivables	**–**	**36**	**–**	**23**	**–**	**24**
Cash and bank deposits	**3**	**3**	**1**	**297**	**–**	**72**
Borrowings	**(98)**	**–**	**(2)**	**–**	**–**	**(42)**
Trade and other payables	**(20)**	**(2)**	**(1)**	**(776)**	**(1)**	**(35)**
Net exposure arising from recognised assets and liabilities	**(115)**	**37**	**(2)**	**(456)**	**(1)**	**19**
Highly probable forecast purchases	**(14)**	**–**	**(13)**	**(7,689)**	**(7)**	**–**
Highly probable forecast sales	**–**	**–**	**6**	**–**	**–**	**–**
Foreign currency forward contracts	**11**	**–**	**5**	**1,056**	**1**	**–**
Net exposure arising from forecast transactions	**(3)**	**–**	**(2)**	**(6,633)**	**(6)**	**–**
Overall net exposure	**(118)**	**37**	**(4)**	**(7,089)**	**(7)**	**19**

	2013					
in million	United States dollars	Renminbi	Euros	Japanese Yen	Pound Sterling	Hong Kong dollars
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)	–
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

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(d) Currency risk (continued)

Sensitivity analysis

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

Group

HK$ million	**2014** **Positive / (negative) effect on profit after taxation and retained profits**	2013 Positive / (negative) effect on profit after taxation and retained profits
Renminbi	**2**	2
Euros	**(2)**	(7)
Japanese Yen	**(19)**	(21)
Pound Sterling	**(4)**	(4)

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 2013.

32. 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 2013 and 2014, 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 fair values of financial instruments are estimated as the present value of future cash flows, discounted at current market interest rates for similar interest bearing bank borrowings, except for foreign currency forward contracts, interest rates swaps and cross currency swap. All financial instruments are carried at amounts not materially different from their fair values at 31 December 2013 and 2014 except for the amounts due from / to subsidiaries, an intermediate holding company, 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.

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.

33. COMMITMENT

(a) Capital commitments

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

HK$ million	Group **2014**	Group 2013
Contracted for		
– Capital expenditures	**127**	127
– Others	**1**	31
At 31 December	**128**	158
Authorised but not contracted for		
– Capital expenditures	**347**	429
– Others	**44**	33
At 31 December	**391**	462

(b) Operating lease commitments

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

HK$ million	Group **2014**	Group 2013
Within 1 year	**553**	597
After 1 year but within 5 years	**1,089**	1,021
After 5 years	**1,435**	1,473
At 31 December	**3,077**	3,091

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

34. CONTINGENT LIABILITIES

(a) At the balance sheet date, the Group and the Company has issued the following guarantees to banks in respect of banking facilities granted to and utilised by the following parties:

(i) Group

	2014		2013	
HK$ million	**Granted**	**Utilised**	Granted	Utilised
A joint venture	**–**	**–**	250	168
An associate	**16**	**13**	16	16
At 31 December	**16**	**13**	266	184

(ii) Company

	2014		2013	
HK$ million	**Granted**	**Utilised**	Granted	Utilised
Subsidiaries	**11,383**	**2,874**	10,431	3,013
A joint venture indirectly held by the Company	**–**	**–**	250	168
An associate indirectly held by the Company	**16**	**13**	16	16
At 31 December	**11,399**	**2,887**	10,697	3,197

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.

(b) At the balance sheet date, a subsidiary has issued a guarantee of EUR1.2 million (2013: Nil) to a trade creditor of an associate.

(c) At the balance sheet date, the directors do not consider it is probable that a claim will be made against the Company or any of its subsidiaries under the above guarantees.

35. MATERIAL RELATED PARTY TRANSACTIONS

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

(a) Recurring transactions

HK$ million	**2014**	2013
Purchases from a joint venture	**24**	103
Purchases from associates	**299**	223
Rental expenses to fellow subsidiaries	**170**	160

Note: Apart from the item 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.

(b) Remuneration for key management personnel

Remuneration for key management personnel included the amounts paid to the Company's directors and senior management as disclosed in notes 9 and 10 respectively. Total remuneration is included in "staff costs" (Note 6(b)).

(c) Operating lease commitments with fellow subsidiaries

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

	Group	
HK$ million	**2014**	2013
Within 1 year	**74**	166
After 1 year but within 5 years	**2**	72
At 31 December	**76**	238

(d) 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.

36. HOLDING COMPANIES

At 31 December 2014, 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. The intermediate holding company of the Group, CITIC Limited, which is incorporated and listed in Hong Kong, produces financial statements available for public use.

37. POST BALANCE SHEET EVENT

In January 2015, the Group has completed the acquisition of 70% equity interest in Gilman Group Limited and Leader Synergy Limited, which are engaged in distribution of electrical and home appliances in mainland China, Hong Kong, Macao and ASEAN countries, at a consideration of HK$295 million. The Group is in the process of engaging an independent professional qualified valuer to identify and measure the assets acquired and liabilities assumed. The fair values of net assets acquired will be available upon the completion of the valuation.

38. DETAILS OF PRINCIPAL SUBSIDIARIES

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

Name of subsidiaries	Note	Place of incorporation / establishment / operation	Issued share capital / paid-up capital	Effective percentage of equity interest held by the Company		Principal activities
				Directly	Indirectly	
Bayern Gourmet Food Company Limited		Hong Kong	HK$3,000,000	–	100	Food processing and trading
Dah Chong Hong (China) Limited		Hong Kong	HK$100,000	100	–	Investment holding and provision of management services
Dah Chong Hong (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	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

38. DETAILS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Note	Place of incorporation / establishment / operation	Issued share capital / paid-up capital	Effective percentage of equity interest held by the Company		Principal activities
				Directly	Indirectly	
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
Kunming Heyun Motor Trading Co., Ltd.	*(i)*	PRC	RMB150,000,000	–	100	Motor vehicle 4S dealership
Kunming Lianya Toyota Motor Sales and Services Co., Ltd	*(i)*	PRC	RMB200,000,000	–	100	Motor vehicle 4S dealership
Leo's Fine Food Company Limited		Hong Kong	HK$1,000,000	–	100	Food processing and trading
Polyfood Food Service Co. Limited		Hong Kong	HK$1,500,000	–	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
Shanghai DCH Food Industries Ltd.	*(i)*	PRC	US$13,070,000	–	100	Food processing and trading
Shanghai Huchang Motor Service Co., Ltd.	*(i)*	PRC	US$1,000,000	–	100	Motor vehicle repairing and servicing
Taipei Premium Motors Limited		Taiwan	NTD5,000,000	–	100	Motor vehicle 4S dealership
Taipei Triangle Motors Limited		Taiwan	NTD200,000,000	–	100	Motor vehicle distributor
Triangle Auto Pte Ltd		Singapore	SGD3,000,000	–	100	Motor vehicle distributor
Triangle Motors Limited		Hong Kong	HK$3,000,000	–	100	Motor vehicle distributor
Triangle Motor Sales And Services (China) Co., Ltd.	*(i)*	PRC	RMB150,000,000	–	100	Motor vehicle 4S shop and trading of imported parts

38. DETAILS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Note	Place of incorporation / establishment / operation	Issued share capital / paid-up capital	Effective percentage of equity interest held by the Company: Directly	Effective percentage of equity interest held by the Company: Indirectly	Principal activities
Yee Lim Godown & Cold Storage Limited		Hong Kong	HK$1,000,000	–	100	Operation of dry and cold storage godown
Yunnan Zhongchi Motor Sales And Services Co., Ltd.	*(i)*	PRC	RMB200,000,000	–	100	Motor vehicle 4S dealership
佛山市合輝汽車銷售服務有限公司 (Foshan Hehui Motors Sale and Service Limited)	*(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)	*(iii), (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
廣州廣保豐田汽車銷售服務有限公司 (Guangzhou Guangbao Toyota Motors Sale and Service Limited)	*(i), (iii), (vi), (vii)*	PRC	RMB30,000,000	–	49	Motor vehicle 4S dealership
廣州合億汽車貿易有限公司 (Guangzhou Heyi Motor Trading Limited)	*(vii)*	PRC	RMB70,000,000	–	100	Motor vehicle 4S dealership
廣州駿佳凌志汽車銷售服務有限公司 (Guangzhou Junjia Lexus Motors Sale and Service Limited)	*(ii), (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

38. DETAILS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Note	Place of incorporation / establishment / operation	Issued share capital / paid-up capital	Effective percentage of equity interest held by the Company		Principal activities
				Directly	Indirectly	
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)	*(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	RMB250,000,000	–	100	Motor vehicle 4S dealership
江門市怡誠汽車銷售服務有限公司 (Jiangmen Yicheng Motors Sale and Service Limited)	*(i), (vii)*	PRC	RMB50,000,000	–	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)	*(i), (vii)*	PRC	RMB50,000,000	–	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
柳州市合隆汽車銷售服務有限公司 (Liuzhou Helong Motors Trading Limited)	*(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	RMB62,000,000	–	100	Motor vehicle 4S dealership
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

38. DETAILS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Note	Place of incorporation / establishment / operation	Issued share capital / paid-up capital	Effective percentage of equity interest held by the Company: Directly	Effective percentage of equity interest held by the Company: Indirectly	Principal activities
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.)	*(vii)*	PRC	RMB55,500,000	–	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
深圳市深業隆華豐田汽車銷售服務有限公司 (Shenzhen Shenye Longhua Toyota Motors Sale and Service Limited)	*(vii)*	PRC	RMB30,000,000	–	100	Motor vehicle 4S dealership
深圳市深業汽車貿易有限公司 (Shenzhen Shenye Motors Trading Limited)	*(i), (vii)*	PRC	RMB25,000,000	–	100	Motor vehicle 4S dealership
深圳深業雷克薩斯汽車銷售服務有限公司 (Shenzhen Shenye Lexus Motors Sale and Service Limited)	*(vii)*	PRC	RMB30,000,000	–	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

38. DETAILS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Note	Place of incorporation / establishment / operation	Issued share capital / paid-up capital	Effective percentage of equity interest held by the Company		Principal activities
				Directly	Indirectly	
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)	*(i), (vii)*	PRC	RMB10,000,000	–	100	Motor vehicle 4S dealership
悦昌(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)	*(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)	*(vii)*	PRC	RMB10,000,000	–	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

38. DETAILS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Notes:

(i) The entity is a wholly foreign owned enterprise ("WFOE") established in the PRC.

(ii) The equity interests of this entity are held by persons which have the legal capacity under the regulations to be shareholders for the benefits of the Group.

Historically, the PRC rules and regulations restricted foreign ownership of companies in certain industries. The Group has been conducting its operations in these industries through contractual arrangements with various companies incorporated in the PRC (i.e. OPCOs) which are owned by the persons which have the legal capacity under the regulations to be shareholders for the benefits of the Group (i.e. Registered Owners).

The Group does not have direct equity interests in these OPCOs. However, the Group has implemented a series of contractual arrangements with the Registered Owners of these OPCOs, such that:

– The Group is entitled to enjoy all the economic benefits of the OPCOs. All the dividends, capital bonus or any other assets distributed to the respective Registered Owners by the respective OPCOs are required to be transferred to the Group at nil consideration within three working days after such distribution;

– The Group is granted an exclusive right to acquire, to the extent permissible under the PRC laws, 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 Group holds 50% economic interest.

(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.

As at 31 December 2014

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.	Shanghai International Automobile City, No. 789 Anchi Road, Jiading District, Shanghai, The People's Republic of China	2043	100	3,667	Commercial

As at 31 December 2014

	Address / Lot no.	Leasehold expiry	Group's interest %	Approximate gross floor area / Approximate saleable area* (sq. m.)	Existing use
5.	Haiwang Hatchery Plant at Haiwang Village, Huinan Town, Pudong New District, Shanghai, The People's Republic of China	2048	100	2,053	Industrial
6.	Xing Guang Farm, Xingguang Village, Zhuqiao Town, Pudong New District, Shanghai, The People's Republic of China	2048	100	6,041	Industrial
7.	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
8.	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
9.	Hiro-o Garden Hills, South Hill D-507, Hiro-o 4-chome, Shibuya-ku, Tokyo, Japan	Freehold	100	218 plus 5 area for storage and 19 area for parking	Residential

Address / Lot no.		Leasehold expiry	Group's interest %	Approximate gross floor area / Approximate saleable area* (sq. m.)	Existing use
10.	Dah Chong No. 1 Building, 12-6, Roppongi, 3-chome, Minato-ku, Tokyo, Japan	Freehold	100	3,208 plus 36 area for parking	Commercial
11.	Dah Chong No. 2 Building, 18-2, Roppongi, 5-chome, Minato-ku, Tokyo, Japan	Freehold	100	1,405	Commercial / office
12.	Land No. 346-22, Azateradani, Hino-Cho, Nishiwaki-shi, Hyogo Prefecture, Japan	Freehold	100	6,300 (land)	Vacant site
13.	Land No. 689, Azazendana, Higashiodaka, Isumi-shi, Chiba Prefecture, Japan	Freehold	100	509 (land)	Vacant site
14.	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 2014

	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

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

As at 31 December 2014

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

	Address / Lot no.	Leasehold expiry	Group's interest %	Approximate gross floor area / Approximate saleable area* (sq. m.)	Existing use
11.	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
12.	Lot T7-6, No. 28, Yinzhou Avenue, Huicheng, Xinhui District, Jiangmen, Guangdong Province, The People's Republic of China	2054	100	8,378	Warehouse
13.	Lot No. T7-2, 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
14.	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

As at 31 December 2014

	Address / Lot no.	Leasehold expiry	Group's interest %	Approximate gross floor area / Approximate saleable area* (sq. m.)	Existing use
15.	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
16.	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
17.	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
18.	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
19.	No. 258 Nangang Gong Road, Huinan Town, Pudong New District, Shanghai, The People's Republic of China	2048	100	9,696	Office

	Address / Lot no.	Leasehold expiry	Group's interest %	Approximate gross floor area / Approximate saleable area* (sq. m.)	Existing use
20.	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
21.	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
22.	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
23.	(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
24.	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

As at 31 December 2014

	Address / Lot no.	Leasehold expiry	Group's interest %	Approximate gross floor area / Approximate saleable area* (sq. m.)	Existing use
25.	Land No. 712-2, Zi Wu Road, Qu Jing City, Yunnan Province, The People's Republic of China	2047	100	3,900	4S shop
26.	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
27.	9 and 11 She, Lijiatuo, Chi Lung Chuen, Banan District, Chongqing, The People's Republic of China	2047	100	16,904	4S shop
28.	Long Huang Qiao 320 State Road, Shuangqing District, Shaoyang, Hunan Province, The People's Republic of China	2051	100	14,140 (land)	4S Shop
29.	Level 6, No. 1265 Chang De Road, Putuo District, Shanghai, The People's Republic of China	2046	100	832	Office

Address / Lot no.		Leasehold expiry	Group's interest %	Approximate gross floor area / Approximate saleable area* (sq. m.)	Existing use
30.	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
31.	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
32.	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
33.	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
34.	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

As at 31 December 2014

Address / Lot no.		Leasehold expiry	Group's interest %	Approximate gross floor area / Approximate saleable area* (sq. m.)	Existing use
35.	Whole Single Storey Block, No. 357 Ji Zhan Road, Shanghai, The People's Republic of China	2056	100	22,109	Warehouse
36.	No. 568-36, Erkan Rd., Waipu Dist., Taichung City, Taiwan	Freehold	100	3,494	Factory and office
37.	Portion of Dah Chong No. 2 Building, 18-2, Roppongi 5-chome, Minato-ku, Tokyo, Japan	Freehold	100	1,013	Office
38.	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
39.	259 Pandan Loop, Singapore 128435 Lot No. 4009A (JTC Pte Lot A14379) Mukim 5	2042	100	1,138	Cold store

TERMS

Total debt	Short term and long term loans, plus bank overdrafts
Net debt	Total debt less cash and bank deposits
Total capital	Shareholders' funds plus net debt
Capital employed	Shareholders' funds plus total debt
EBITDA	Profit before interest expense, taxation, depreciation and amortisation
Segment turnover	Segment turnover from external customers plus inter-segment turnover

RATIOS

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

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

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

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

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

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

CORPORATE INFORMATION

Headquarter 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
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong
Telephone: 2980 1333
Fax: 2810 8185

Investor Relations

Investors, shareholders and research analysts may contact the Investor Relations Department.

Telephone: 2768 3110
Fax: 2758 1117
Email: ir@ir.dch.com.hk

Financial Calendar

Closure of Register:

For ascertaining shareholders' entitlement to attend and vote at Annual General Meeting: 28 April 2015 to 4 May 2015

For ascertaining shareholders' entitlement to the Final Dividend: 11 May 2015 to 13 May 2015

Annual General Meeting: 4 May 2015
10:30 a.m.
Salon 1-4, Level 3
JW Marriott Hotel Hong Kong
Pacific Place, 88 Queensway
Hong Kong

Final Dividend payable: 28 May 2015

Annual Report 2014

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: 2756 5167 or by email: contact@dch.com.hk.

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