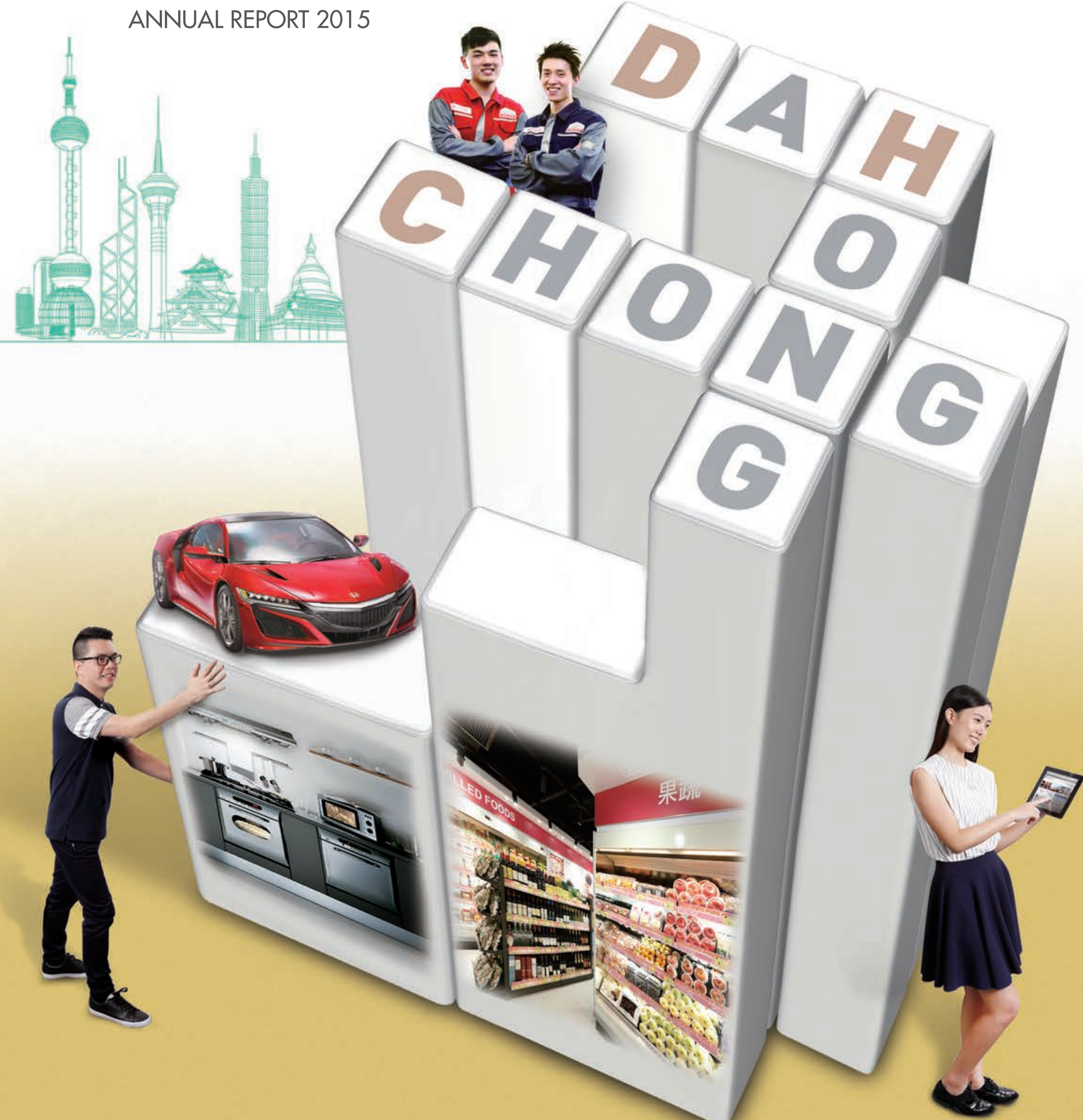
大昌行集團有限公司
DAH CHONG HONG HOLDINGS LIMITED

Stock Code: 01828

Vitality & Professionalism

Our China Momentum

ANNUAL REPORT 2015



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.

Contents

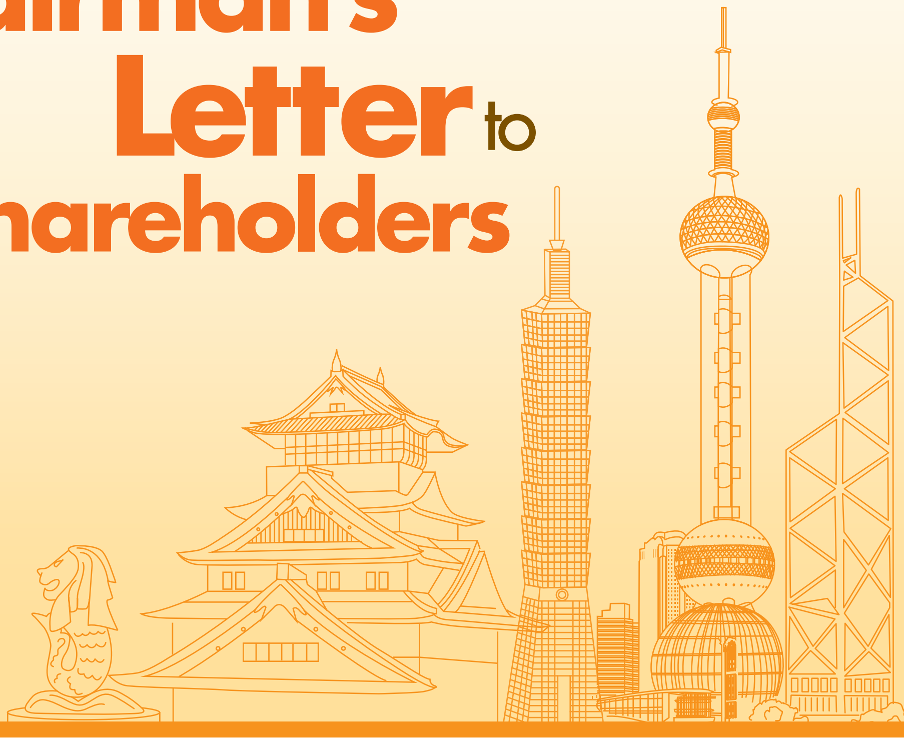
Financial Highlights

For the year (HK$ million)	**2015**	2014
Turnover	**44,803**	46,489
Profit from operations	**1,093**	1,405
Profit attributable to shareholders	**570**	750
Segment profit after taxation		
Motor and Motor Related Business	**868**	904
Food and Consumer Products Business	**150**	268
Other Business	**73**	55

At year end (HK$ million)	**2015**	2014
Total debt	**6,550**	8,661
Cash and bank deposits	**1,110**	1,493
Net debt	**5,440**	7,168
Shareholders' funds	**9,047**	9,322
Total capital	**14,487**	16,490
Capital employed	**15,597**	17,983
Net gearing ratio	**37.6%**	43.5%

For the year (HK cents)	**2015**	2014
Earnings per share	**31.11**	40.94
Dividend per share		
Interim	**6.10**	9.30
Final	**6.40**	6.60
Total	**12.50**	15.90

Chairman's Letter to Shareholders



Zhang Jijing *Chairman*

Dear Shareholders,

In 2015, the global economy experienced an extremely volatile period with a substantial drop in crude oil and commodity prices, fierce fluctuation in the currency markets and turmoil in the global stock markets. Overall business environment in mainland China remained challenging as its GDP growth continued to slow down, affecting the domestic consumption sentiment. These factors have adversely affected the performance of Dah Chong Hong Holdings Limited ("DCH" or "the Group") during the year.

Chairman's Letter to Shareholders

Our motor business in mainland China continued to suffer from the imbalance of supply and demand, leading to the erosion of gross margin for new car sales, and the losses from flagship 4S shops of high-end brands opened in the last few years. In addition, our strategy of lowering overall motor inventory, which will allow the Group to maintain a healthy stock position to face the "New Normal" business environment in mainland China in 2016, has realised disposal losses for the aged stock. With these exceptional costs, the segment results of our mainland China Motor and Motor Related Business were only marginally profitable.

For the food business, the continuous drop of food commodity price throughout the year has resulted in lower gross margin and losses in inventory value. Other various incidents in 2015, like the interruption of supply caused by the US West Coast ports strikes and tighter control on import regulations by the Chinese authorities, affected our overall food business profitability in the year. However, the situation appears to become stable and the business will resume as normal in 2016.

On the other hand, we were benefited from the environmental initiatives implemented by the HKSAR and Singapore governments to improve air quality by encouraging early replacement of aged vehicles, supporting new energy vehicle development and the retrofitting of emission reduction devices to in-use motors. The Group's diversified business portfolio and geographical presence like the extension of our business in Taiwan proved to be successful. Together with the favourable exchange rates, segment results of the Motor and Motor Related Business in these regions were good. It is expected these favourable conditions will continue and Motor and Motor Related Business in these markets will keep making sustainable profit contributions to the Group in the coming year.

Financial Performance

In 2015, turnover declined by 3.6% to HK$44,803 million, with turnover of mainland China Motor and Motor Related Business dropped by 8.6%. Profit attributable to shareholders dropped by 24.0% to HK$570 million. Basic earnings per share were down by 24.0% to 31.11 HK cents. The Board of Directors of DCH has proposed the payment of a final dividend of 6.40 HK cents per share (2014: 6.60 HK cents per share), along with an interim dividend of 6.10 HK cents per share already paid, bringing the full year dividend to 12.50 HK cents per share (2014: 15.90 HK cents per share).

The financial position of the Group remained strong as we continued to generate strong cashflow from operations. The Group has made continuous efforts to tightly control the stock level and as a result, the total inventory has dropped by HK$1.9 billion and our net gearing ratio dropped to 37.6% by the end of 2015.

China Momentum

Looking forward to 2016, mainland China remains a vast market with ample opportunities though its GDP growth might be slower. We are still optimistic about the business opportunities and would continue to invest in the mainland China region.

The mainland China motor market is expected to grow by around 6% in 2016. The imbalance of supply and demand would ease as most car manufacturers have set their sales and production targets in line with the market. With the consolidation of dealership networks whereby the unhealthy competitions in the market would be fading out, we could expect the market will converge to a normal business environment.

Chairman's Letter to Shareholders

The Group intends to grow our mainland China Motor and Motor Related Business through expansion of the dealership network, enhancement of operational efficiency and extension of motor related businesses. We would continue to invest in our motor dealership network of mid-to-high-end brands through acquisition of 4S shops with good potential and maintain strategic partnerships with car makers who are now in favour of working closely with major dealer groups like DCH, for mutual interests of stabilising the motor industry in mainland China. We would also continue to set up greenfield shops in strategic cities as the cost of building new 4S shops has very much lowered and it has become a viable investment to add greenfield shops in areas where competition is less fierce.

The PRC motor business has undergone a fast expansion and contraction cycle over the last seven years. It turned from a very profitable business into a tough industry. Most of the fortune seekers building over-luxurious 4S shops to enter the market in early days have been displaced and today, only strong and professional operators would remain. DCH, being an experienced motor distributor, would come out as a stronger player with our continuous improvements in operating efficiency, customer service level and cost control. In 2015, we have paid a high cost of disposing aged inventory. As such, we will continue the strict controls on new car inventory and maintain a healthy stock level at all times.

The development of our motor related business is on the right track, generating a wider income source for us. The car rental business will be expanded to cover more cities to meet the increase in demand for long- and short-term services. The finance lease business which we started in mid-2015 appeared promising and we expect it to grow in folds with the expansion of the customer base covering our 4S shops, our strategic partners and other corporate customers. The used car business model is being reviewed as e-commerce and associated regulations become more conducive to the business.

For the mainland China Food and Consumer Products Business, consumer profile has changed over the past few years with the faster growth of lower-tier cities and rural areas comparing to the major cities, shifting consumer spending habits from established retail channels to differentiated and modernised ones, as well as intensifying competition in mature and saturated product categories.

In 2015, whilst we were fine-tuning our strategy in Food and Consumer Products Business to seize business opportunities with our regional set-up, we were hit by the sudden slide of commodity prices and the shrinkage of consumer product market. It was particularly serious in the dairy categories like liquid milk with global price decreased by around 50%, resulting in losses in inventory and gross margins. In 2016, we expect the situation will become stable and we will focus on improving channel management.

We are to strengthen our collaborations with modern trade operators by providing comprehensive one-stop services across the entire food supply chain, and to modify our distribution to cover the new retail format and e-commerce channels, which in the last few years have gained significant market share in the retail sector. In addition, the convenience stores and neighbourhood shops have emerged to claim a share of the retail market while the food service segment continues to grow rapidly. As such, we will enrich our product portfolio to satisfy demands of these channels for a greater variety of products like small pack snacks and confectioneries as well as other bakery and frozen products for the food service channel. With the newly imposed government regulations on food safety which have elevated the business entry barrier, DCH is well-positioned to capture a higher business growth.

The demand for cold chain logistics services in mainland China will be further mounting in light of the increasing concern on food safety from both the PRC government and consumers. The Group is developing our cold chain with an asset-light business model in mainland China. We will further expand the cold chain coverage to major hubs for our food business and form a comprehensive network to support the expansion of our own food distribution business as well as serving the increasing demand from external customers.

Chairman's Letter to Shareholders

Create Value Through Collaboration

To complement our strengths and create win-win business models to accelerate our business growth, we have been exploring collaborations with our strategic partners for motor, food and logistics businesses. In 2015, we have formed various strategic partnerships with key modern retailers in mainland China, global distributors and brand owners, major manufacturers of commercial vehicles and new energy cars, and with our major shareholder, CITIC Group, to share among our partners a range of sales channels, customer bases, products and services which would complement each other to capture the greater opportunities in the market.

In view of the more challenging business environment, we are providing one-stop services including sourcing, importation, warehousing and distribution logistics to meet our customers' needs. As such, we will continue to explore opportunities for further business collaboration and deepen synergies with our existing strategic partners to realise the value thereof in the years to come.

Enhance Shareholder Value

In the last few years, the profitability of the Group has been impeded by the low return on investment of the motor business in the PRC. In 2016, we will continue to implement cost reduction and productivity enhancement measures in the PRC motor business including optimising our brand portfolio, closing down and disposing of unprofitable 4S shops and showrooms, improving distribution efficiency and streamlining operations.

To tackle today's difficult business environment and to get prepared for future challenges, we will implement a business process re-engineering programme to improve operational and cost efficiency; actively search for merger and acquisition ("M&A") opportunities; dispose of non-core assets and re-deploy our capital to strategic areas with good potential to improve return on investment.

In 2015, the performance of our food retail business in Hong Kong suffered from the slow down of the retail market and the high operating costs, especially rental expenses. In 2016, we are to re-position our retail chain stores after the successful pilot trial in 2015 to expand the retail network with different positionings to meet the market demand.

DCH will embark on the restructure of our business organisation through streamlining the Group into Motor and Motor Related Business and Food and Consumer Products Business to enhance the management focus for better operational efficiency. In 2016, we will focus on exploring business development opportunities in the Food and Consumer Products Business. We aim to enlarge this segment through M&A and collaboration to expand its product portfolio and markets with an objective of having a balanced portfolio between two businesses in the Group. This will also enable transparency to the market for a proper valuation of both businesses in the future.

Environmental Initiatives

We are committed to improving the air quality and to conducting our business in an eco-friendly manner. In Hong Kong, we are the fore-runner and the market leader in the supply of electric buses. We have a full range of new energy vehicles including super-capacitor electric buses and lithium battery buses delivered to local public transport operators. In the latest policy address, the HKSAR government advocated the use of electric vehicles and with the supportive measures of the PRC government, it will bring us more opportunities in the coming years. Together with the supply of selective catalytic reduction device to reduce harmful gases in the emission of diesel vehicles in Hong Kong, DCH is well-positioned to capture the opportunities in the environmental business.

Chairman's Letter to Shareholders

As a committed corporate citizen, DCH also actively implements eco-friendly measures within the Group to reduce waste and promote efficient energy use. To cultivate a green lifestyle among our staff, we have established the DCH "Green Care" Committee, which plans and implements various green initiatives and activities for our staff. We will continue to devote resources to preserving the environment for the next generation.

Risk Management

The Group has established a risk management system that is in line with the global standard on corporate governance, covering all the business segments to monitor, assess and manage various risks in the Group's business activities. Under the current business environment, the management will focus on mitigating the key exposure on credit risk, interest rate risk and currency risk. The Group will conduct regular reviews of the operational and financial risks for each business unit.

Closing

Looking forward to 2016, the global economy remains uncertain that poses challenges to our business. We would adopt a more cautious approach to maintain our growth momentum and to control our risks. With our strong team of professionals and solid business foundation, I am confident that together, we can bring DCH to a higher level despite the recent short-term impacts on our business.

As a well-established corporation, DCH has long been dedicating our resources in contributing to the community where our business has presence in. We will continue to fulfil our corporate social responsibilities through caring for the community, the environment and our employees.

On behalf of the Board, I would like to express my heartfelt 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 improving our profitability and sustaining the long term growth of DCH as a profitable enterprise for the benefit of our shareholders.

Zhang Jijing
Chairman
Hong Kong, 1 March 2016

Management Discussion and Analysis

Business Review and Prospects

Operating Results

For the year ended 31 December 2015, the Group recorded a turnover of HK$44,803 million, a decrease of 3.6% against last year (2014: HK$46,489 million). Profit attributable to shareholders decreased by 24.0% to HK$570 million (2014: HK$750 million) with the drop in profit from the PRC businesses. The adjusted net profit for the year, after excluding the non-operating items, amounted to HK$575 million, a drop of 21.2% when compared with HK$730 million last year.

Management Discussion and Analysis

Segment turnover was

HK$34,097 million.

Segment result from operations was

HK$1,096 million.

Segment margin was **3.2%.**


INFINITI
Motor and
Motor Related
Business

Motor and Motor Related Business

Mainland China

Overall mainland China motor market in 2015 grew by 4.7%. The slow market growth coupled with imbalance of supply and demand created a tough business environment for 4S operators. There has been consolidation of 4S operators, which included sizable dealer groups.

The Group's motor business in mainland China was affected by the market environment and was only marginally profitable. Under the slow market, new greenfield shops opened in the last few years need more time to break even and have been incurring losses. Overall vehicle prices dropped in an oversupply environment and new car sales margin declined. On top of that, our strategy of lowering overall motor inventory has realised disposal losses. The vehicle restriction policy imposed in Shenzhen in early 2015 also had a short-term adverse sales impact to the business.

DCH has taken initiative to mitigate the impact by closing down or disposing of unprofitable 4S shops, improving after-sales service productivity and lowering operating cost.

- Segment turnover of PRC Motor and Motor Related Business was HK$24,997 million, decreased by 8.6%.
- Segment result from operations was HK$79 million, decreased by 79.2%.
- Segment margin was 0.3%, decreased by 1.1-percentage-points.
- Overall motor market: 24.6 million units sold, grew by 4.7%.
  - Passenger car market: 21.1 million units sold, increased by 7.3%.
  - Commercial vehicle market: 3.5 million units sold, decreased by 9.0%.

Motor and Motor Related Business

- DCH sold around 95,600 units, decreased by 1.7%.
  - Passenger car: around 90,800 units sold, up by 0.1%, the below-market performance was due to the decrease in number of shops as a result of restructuring 4S portfolio.
  - Commercial vehicle: around 4,800 units sold, down by 26.4%, as affected by the sluggish market environment and 2014 sales volume included a large tender delivery.
- Dealership business's new car unit sales and service volume stayed similar to last year.
- Same-store new car sales revenue decreased by 11.7% mainly due to selling price drop. Same-store unit sales dropped by 2.9%. Yet, after taking out Shenzhen unit sales figures, which was affected by the vehicle restriction policy, it actually rose by 6.1%. Same-store service volume and revenue remained stable.
- The restructuring of our 4S portfolio continued with three 4S shops closed and one disposed of. At the end of 2015, the number of our 4S shops was 78 together with 18 showrooms.
- Our car rental business network covered a total of 18 cities after expanding to Foshan (佛山), Wuhu (蕪湖) and Xi'an (西安).
- DCH started to provide finance lease to individual customers in our 4S network in mid-2015 and has signed a memorandum of understanding ("MOU") with a car manufacturer to provide finance lease service to its customers.
- DCH has entered into a MOU with an electric vehicle manufacturer in mainland China to form a strategic alliance to distribute electric vehicles.

Motor and Motor Related Business

- Awards achieved in 2015:

– *DF Honda* 4S shop Zhanjiang Herong	– Platinum Key Award (全國十佳白金鑰匙獎)
– *FAW Audi* 4S shop Yunnan Liandi	– Best Service Performance Award (最佳服務業績獎)
– *FAW Toyota* 4S shop Guangzhou Guangbao	– Best Performance Award (優秀金牌經銷商)
– *GAC Honda* 4S shop Shenye GAC Honda	– Excellent Dealer Award (優秀經營店)
– *GAC Toyota* 4S shop Guangzhou Junlong	– Top Ten Dealer Award (十佳經銷商)
– *Lexus* 4S shop Guangzhou Junjia	– National Sales Champion (全國全年銷售冠軍)

Outlook

- It is estimated that overall mainland China motor market will grow by around 6% in 2016.
- Low inventory level gives DCH competitive advantage to protect margin and to enhance profitability in 2016.
- Greenfield shops opened in the last few years will become mature and gradually improve in profitability.
- We will expand our 4S network through looking for good potential M&A targets and opening greenfields in strategic cities as the cost of building new 4S shops has very much lowered.
- Finance lease business would be on a faster development track with the expansion of service to more customers and collaboration with a car manufacturer.
- Car rental business will be actively expanding its network in collaboration with our dealership operation to capture more business opportunities.

Hong Kong and Macao

Overall Hong Kong motor market continued to grow at a higher rate in 2015. Commercial vehicle segment remained as a key driver as stimulated by the HKSAR government's ex-gratia payment scheme.

DCH achieved considerable profit growth in this segment in 2015. On top of favourable exchange rates which improved our margin, commercial vehicle unit sales recorded double-digit growth as we capitalised the strong replacement trend. The Group also enhanced overall economy of scale as a result of its efficiency and productivity improvements.

- Segment turnover was HK$6,869 million, increased by 4.0%.
- Segment result from operations was HK$812 million, increased by 44.0%.
- Segment margin was 11.8%, increased by 3.3-percentage-points.
- Overall Hong Kong motor market: around 61,700 units sold, expanded by 10.0%.
  - Passenger car market: around 41,900 units sold, increased by 7.9%.
  - Commercial vehicle market: around 19,800 units sold, increased by 14.6%.
- DCH sold around 14,600 units, decreased by 1.1%.
  - Passenger car: around 8,800 units sold, decreased by 11.2% due to the aged model line up of some volume sellers.
  - Commercial vehicle: around 5,800 units sold, increased by 19.6%.
- DCH's Hong Kong market share in 2015 dropped by 1.8-percentage-points against last year to 20.8%. However, we remained the market leader in the truck & bus segment.

Motor and Motor Related Business

- DCH is officially appointed as the Hong Kong distributor of *Yutong* since November 2015 to provide both vehicle sales and after-sales services.
- We made progress in bus segment by commencing delivery of double-decker and electric single decker buses to franchised bus companies in 2015.
- *MotorMech*, the independent service outlet, opened the fifth outlet in Chai Wan in the second half of 2015.
- We obtained the approval from the Hong Kong Transportation Department to open two more Designated Car Test Centres and will be operating a total of five centres.
- DCH was appointed to install and maintain a Foreign Object Debris Detection System at the runway of the Hong Kong International Airport. This will open up business opportunities in other mainland China and overseas airports.

Outlook

- Hong Kong commercial vehicle demand in 2016 will remain under the HKSAR government's ex-gratia payment scheme.
- Following the government's direction of promoting cleaner public transportation, we see there is a potential in the electric bus business. With our wide spectrum of electric bus from different origins and body types, DCH will actively work with all stakeholders to develop the product and the market.
- The programme of retrofitting the selective catalytic reduction device to franchised bus companies will be entering the final stage. DCH will continue to explore business opportunities in this area.
- It is planned to expand our independent service outlet network.
- To widen income stream in the mature market, the Group will leverage its expertise in engineering to explore business opportunities in airport facilities and equipment, special purpose vehicles and air-conditioning engineering service.
- DCH will continue to enhance productivity and efficiency to maintain competitiveness in the mature market and to improve profitability.

Motor and Motor Related Business

Other Markets

This segment maintained pleasant growth and produced satisfactory profit contribution to the Group in 2015.

Our Taiwan commercial vehicle business recorded growth in both unit sales and market share with our network expansion and the launch of truck models from our semi-knock down ("SKD") factory. Singapore commercial vehicle business continued to be benefited from the Singapore government's environmental policy of encouraging the replacement of aged diesel vehicles. In Myanmar, two service centres for *FAW* and *Isuzu* were established and the *Isuzu* dealership agreement for Yangon was signed in the second half of 2015.

- Segment turnover in 2015 was HK$2,231 million, increased by 7.7%.
- Segment result from operations was HK$205 million, increased by 28.1%.
- Segment margin was 9.2%, increased by 1.5-percentage-points.
- Taiwan
  - DCH achieved unit sales growth of 17.6%.
- Singapore
  - DCH achieved a unit sales growth of 47.3% in commercial vehicle business, outperforming the overall commercial vehicle market (excluding taxi) expansion of 22.6% due to the increase in our fleet sales.

Outlook

- In Taiwan, we have established a solid business platform for commercial vehicle after our rapid expansion. We will focus on new model development and network expansion to sustain business growth in the commercial vehicle segment.
- In Singapore, the commercial vehicle demand will sustain under the favorable environmental policy of the government. We will explore options to increase after-sales service capacity to meet the increasing demand.
- In Myanmar, in addition to *FAW* and *Isuzu*, we are also exploring the potential of other vehicle brands and parts distribution in the country.

Motor and Motor Related Business

Pleasure Boat Business

- Our pleasure boat business made encouraging progress in 2015. A total of seven units of *Princess* motor yachts were delivered in its first year of operation and we are now offering a one-stop solution including sales, after-sales and berthing to our customers in Hong Kong.
- Based on our successful experience in the Hong Kong business, we are expanding into the mainland China market in 2016. We are forming strategic cooperation with marinas in order to offer a one-stop solution to our customers.

Segment turnover was

HK$10,710 million.

Segment result from operations was

HK$179 million.

Segment margin was **1.7%.**

Food and Consumer Products Business

Food and Consumer Products Business

This segment contains several business lines including upstream food manufacturing, midstream distribution of fast moving consumer goods ("FMCG"), food commodity, as well as consumer products, and downstream retail business, supported by logistics business.

Mainland China

The consumer profile in mainland China market has changed in the past few years with the shifting consumer spending habits from established retail channels to differentiated and modernised ones. These retailers were confronted with the fierce competition brought by e-commerce which results in structural change in distribution landscape and narrowing down the profit margin.

In 2015, whilst we were fine-tuning our strategy in Food and Consumer Products Business to seize business opportunities with our regional set up, the drop in global commodity prices, in particular liquid milk, had affected our turnover growth and segment result.

Apart from the macro environmental factors, there were some development cost we have invested for our e-commerce business and our regional sales platform, which would have an impact on our profitability in the short-term, but these investments were essential for our sustainable business in long run.

- Segment turnover reached HK$4,587 million with a 2.8% growth against last year.
- Segment result from operations was at a loss of HK$69 million, while it was profitable in last year.
- Segment margin dropped by 2.7-percentage-points to -1.5%.

Food and Consumer Products Business

Food Business

A. FMCG

- Despite the challenging retail environment in mainland China, our FMCG sales was on par with last year with good sales momentum of confectionery, snacks and beverage products.
- Confectionery: despite the keen competition in the sluggish gift market, DCH has further enhanced the product portfolio and marketing strategy to drive the sales growth by 7.3%.
- Snacks: turnover increased by 12.6% mainly contributed by the sales growth from biscuits and festival snacks, as well as the strong sales growth of premium Japanese snacks.
- Dairy: turnover dropped by 13.9% mainly due to the deep fall of milk price and fierce competition among brand owners of liquid milk and milk powder triggered by the excess supplies of milk products in the global market. DCH has alleviated the negative implication by revising the category mix and introducing new brands in other growing categories such as cheese, butter and ice-cream.
- Beverage: turnover increased by 4.6% caused by stronger sales in functional drinks, coffee and tea.

B. Supply Chain Logistics Management

- With strong global sourcing capability and cold chain logistics operation in mainland China, DCH is well-positioned to provide supply chain logistics services to our clients, in which revenue has increased by 43.6% in 2015.
- Our strategic focus is on key accounts and we have partnered with renowned international and local retailers. We will continue to build long-term partnerships with more key accounts.

C. House Brand

- For our house brand "*Del Leche*" dairy products, DCH has successfully launched two new product lines, namely cheese and cream, to capture the growing demand from customers who pursue premium quality at reasonable price.
- Our house brand "*DCH Food*", introduced in Shanghai since 1990s, has now been well-recognised in frozen meat and vegetable product categories and this year DCH has successfully launched the new series "烹烹享" under "*DCH Food*" brand, including frozen pre-packed meat, dessert and soup with good result.

Logistics Business

- Turnover grew by 56.6% in light of growing demand for our services, especially co-packing and re-packing services and transportation services in Xinhui, Shanghai and Guangzhou.
- We will continue to expand our cold chain logistics network and establish facilities in strategic locations in mainland China such as Beijing, Chengdu and Wuhan.

E-commerce Business

- Our e-commerce platform *(www.dchnu.com)* was launched in late 2014 as a cross-border e-commerce business, which targets the PRC consumer market, and utilises DCH's strength in sourcing genuine overseas products.
- We have launched our flagship store in T-Mall since October 2015. We will continue to focus on product categories that synergised with the Group and further grow our platform to catch the market opportunity.

Food and Consumer Products Business

Outlook

- Looking into 2016, the overall mainland China market would continue to grow despite the RMB depreciation pressure, and the fluctuation of commodity price.
- However, our solid establishment of regional structure provides us the geographical advantage to penetrate the fast growing lower-tier cities which are far away from the coast, and to seize the new business opportunity driven by the mainland China urbanisation. Also, the public's increasing concern on food safety and more free trade agreements signed between mainland China and foreign countries will stimulate market demand for imported food products.
- The uprising demand for food service sectors, particular the bakery products and frozen meat and seafood will be the potential growing product categories.
- We will seize the market opportunities to expand our global sourcing network, and supply chain network with strategic partners like multinational food conglomerates and national key accounts, including major e-commerce operators for long-term development partnership.
- Ending of one child policy in mainland China will further drive up the demand of dairy products in upcoming years.
- In response to the increasing demand for cold chain logistics services, we will continue to expand our network and build close collaboration with anchor customers and business partners.

Hong Kong and Macao

Total retail sales in Hong Kong slackened by 3.7% in 2015, which was mainly dragged by the further slow down in inbound tourism. The continued economic downturn and recent stock market corrections have bred more cautious local consumption sentiment. Increased number of retailers have adjusted their store portfolio and location in response to the sluggish local and tourist spending, amid the high rentals for retail space and labour cost.

- Segment turnover reached HK$5,607 million, up 4.8%.
- Segment result from operations was HK$259 million, down 5.8%.
- Segment margin was 4.6%, decreased by 0.5-percentage-point.

Food Business

A. FMCG

- Turnover of FMCG business rose by 6.9%.
- Confectionery: turnover rose by 24.0% attributable to the encouraging sales during Chinese New Year.
- Dairy: turnover improved by 12.9%, contributed by high demand of milk powder.
- Healthcare: turnover rose by 4.5% mainly contributed by good sales to drug stores and festive sales during Chinese New Year.
- Wines & Beverages: turnover increased by 3.0%.
- Non-food: started to expand on a small scale into non-food FMCG, including personal care and household cleaning products. Products were distributed through local retail channels like supermarkets and drugstores to synergise on the current distribution channels.

Food and Consumer Products Business

B. Food Commodity

- Turnover declined by 5.6%, yet sales volume actually increased by 2.2%.
- Profit margin decreased with the drop in global commodity prices and the oversupply situation in Hong Kong.

C. Food Manufacturing

- Food processing business turnover lagged behind last year by 22.7%, attributable to the temporary production suspension of fish products and drop in demand from both food service and retail customers.
- Coffee and tea manufacturing business registered an encouraging growth of 10.4%, mainly contributed by sales improvement of coffee, tea and grocery products.

D. Retail

- Retail business turnover dropped by 9.6% because of stores closure and keen competition from major operators.
- The profitability was depressed by rising rental and labour costs.
- In response to the challenging retail environment, DCH has embarked on the re-positioning of our food retail business by making our stores contemporary lifestyle destination for frozen and chilled products through enhancing product offering and improving shopping experience. The initial performance of the revamped stores has been positive and we will continue to convert existing stores and open new stores by employing this new retail concept.

E. House Brand

- Sales of DCH's house brand "*Cheer*", with a modern and healthy positioning, has grown significantly since launch and now spans 4 product categories including fresh milk, fresh egg, healthy rice and nuts.
- "*Cheer*" has been supported by strong advertising and promotion campaigns to build brand awareness and to establish distribution coverage, and will continue to do so to further grow house brand business.

Consumer Products Business

- Turnover almost doubled as compared to last year after the acquisition of *Gilman Group* in January 2015. The acquisition of *Gilman Group* enabled us to enjoy economy of scale and a wider product portfolio and deeper market penetration. Particulars of this material acquisition are set out in note 28 to the financial statements.
- Other than the strong contribution from *Gilman Group* business, our existing business' profitability exceeded last year significantly due to improved gross profit margin of built-in appliance business, cost-saving and favorable currency exchange.

Logistics Business

- Turnover of the logistics business grew by 12.4%, and result has been improved attributable to enhanced operational efficiency.
- We have commenced the extension of our Yuen Long Logistics Centre to improve our capacity.

Food and Consumer Products Business

Other Markets

- Performance of Singapore food business lagged behind last year due to global commodity price turbulence, particularly on pork and poultry products.
- Japan business was adversely affected by weakened demand and depreciation of Japanese Yen.

Outlook

- It is estimated that demand of quality food products in 2016 will remain stable, amid the stabilisation of global commodity prices and the increasing awareness on food safety and healthcare.
- In the upstream food processing and manufacturing operations, we will merge two production factories to Yuen Long to upgrade our facilities and improve our operational efficiencies.
- For midstream food business, DCH will continue to expand the distribution network, particularly general trade and fine-dining sector. We would strengthen house brand development and enrich product portfolio by expanding into new food product categories, as well as explore non-food business including personal care and household products.
- To grow our downstream retail business, we will expand our retail store network and continue our retail store repositioning programme by entailing expansion of product offering, modernising of store design and improving of shopping experience.
- After the acquisition of *Gilman Group*, it has synergised with our existing consumer products business to enhance our operational efficiency and competitive edge in electrical and home appliances market. The contribution from consumer products business will continue to be well-sustained by the increase in built-in electrical appliances sales to property developers for new residential projects. We will continue to explore new opportunities such as regional expansion in southeast Asia and supply electrical appliances for property related projects in mainland China and Macao.
- We will commence the development of a new logistics and food processing centre in the Hengqin Special Region in Zhuhai to support the fast growing demand in Macao, and also leverage on our food manufacturing business to develop the logistics business for catering services sector in Macao. In Hong Kong, we will further develop our value added services such as packaging services of high value items like healthcare and cosmetic products.

Illustration of Hengqin logistics and food processing centre

Financial Review

Introduction

The Group's 2015 Annual Report includes the Chairman's letter to shareholders, the financial statements and other information required by accounting standards, legislation, and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. This Financial Review is designed to assist the reader in understanding the Group's financial information by discussing the contribution of each business segment and the financial position of the Group as a whole.

Turnover

Turnover in 2015 was HK$44,803 million, decreased by 3.6% compared with HK$46,489 million in 2014.

- **Motor and Motor Related Business**

  Turnover of Motor and Motor Related Business segment decreased by 5.4%.

  Turnover in mainland China decreased by 8.6% as affected by the slow market, the excess production capacity by car manufacturers leading to price cutting for new car sales and the car sales restriction in Shenzhen in early 2015.

  Turnover of Hong Kong and Macao segment grew by 4.0% driven by the strong commercial vehicle sales under the HKSAR government ex-gratia payment scheme for the replacement of aged diesel commercial vehicles.

  Turnover of other markets segment increased by 7.7% with the network expansion and successful launch of truck models assembled by our semi-knock down factory in Taiwan as well as the encouraging growth in Singapore as stimulated by the replacement demand for commercial vehicles under the environmental policy of Singapore government.

- **Food and Consumer Products Business**

  Turnover of Food and Consumer Products Business segment increased by 2.5%.

  Turnover in mainland China grew by 2.8%. Despite of the challenging retail environment in mainland China, our FMCG business was on par with last year with stronger growth in logistics business attributable to growing demand for our value added services in Xinhui, Shanghai and Guangzhou.

  In Hong Kong and Macao, despite the weak market sentiment, segment turnover grew by 4.8% with expansion of our FMCG business partly offset by the continuous drop in worldwide food commodity price and the supply disruption due to the strike in US West Coast ports in early 2015. Consumer products distribution business also increased with the acquisition of Gilman Group since 31 January 2015.

  Turnover of other markets segment dropped by 18.9% as Singapore food business significantly affected by the continuous drop in frozen meat price whilst Japan import food business was on par with last year.

Financial Review

Segment Profit After Taxation

Segment profit after taxation in 2015 was HK$1,091 million, decreased by 11.1% compared with HK$1,227 million in 2014.

- **Motor and Motor Related Business**

  Segment profit after taxation decreased by 4.0% to HK$868 million (2014: HK$904 million).

  Segment profit after taxation in mainland China substantially dropped by 91.7% to HK$24 million (2014: HK$290 million) with the unhealthy competition in the market that new vehicle pricing discount had eroded gross margin on new car sales and the losses incurred by the new greenfield 4S shops in particular the flagship store for high-end brands opened in the last few years.

  However, segment profit after taxation in Hong Kong and Macao grew by 39.7% to HK$683 million (2014: HK$489 million) mainly driven by strong commercial vehicles sales and improved margin with better economy of scale and favourable exchange rates.

  Other markets contributed a segment profit after taxation of HK$161 million (2014: HK$125 million) with encouraging growth in commercial vehicles sales in Taiwan and Singapore.

- **Food and Consumer Products Business**

  Segment profit after taxation decreased by 44.0% to HK$150 million (2014: HK$268 million).

  Mainland China incurred segment loss after taxation of HK$53 million (2014: HK$40 million profit), mainly due to lower profit margin for FMCG business with the slow down of consumer spending, sharp drop in liquid milk price, higher operating cost under the regional set up and additional costs incurred for clearance of aged stock.

  Segment profit after taxation in Hong Kong and Macao decreased by 6.9% to HK$216 million (2014: HK$232 million) owing to the decrease in profit of frozen meat business which were affected by the continuous drop in global food commodity price. Retail business under DCH Foodmart in Hong Kong was affected by keen competition from major operators, high rental for retail space and increase in labour costs. FMCG business continues to have a satisfactory growth and the electrical appliances distribution business also achieved a strong growth following the acquisition of Gilman Group in January 2015.

  Other markets also incurred a segment loss after taxation of HK$13 million (2014: HK$4 million loss) as the import trading business in Japan and frozen meat business in Singapore were affected by the unfavourable exchange rates and sliding global commodity price.

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 was HK$570 million, decreased by 24.0% as compared with HK$750 million in 2014. The performance was mainly affected by the decrease in profit for the PRC car dealership business and the losses incurred in the FMCG distribution business in mainland China. On the other hand, the motor business in Hong Kong, Taiwan and Singapore markets achieved encouraging growth with the strong sales growth of commercial vehicles and favourable exchange rates. The profit in 2014 included a net gain on disposal of a property in Canada of HK$97 million.

Financial Review

Earnings Per Share

Calculation of basic earnings per share for the year ended 31 December 2015 was based on the profit attributable to shareholders of the Company and the weighted average number of 1,832,081,767 (2014: 1,831,993,000) ordinary shares in issue during the year. Basic earnings per share was 31.11 HK cents for 2015, a decrease of 24.0% as compared with 40.94 HK cents for 2014.

The diluted earnings per share for the year ended 31 December 2015 was 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 6.40 HK cents per share for the year ended 31 December 2015 (2014: 6.60 HK cents), together with the interim dividend of 6.10 HK cents (2014: 9.30 HK cents) already paid, the total dividend for 2015 was 12.50 HK cents (2014: 15.90 HK cents).

Finance Costs

The Group's finance costs decreased by 20.9% to HK$212 million (2014: HK$268 million) mainly due to decrease in bank borrowings with the repayment of RMB bank loans following the decrease in auto inventory in mainland China and the more effective use of funding under the various RMB cash pools in mainland China and the cross-border RMB cash pool with Hong Kong.

Income Tax

Income tax increased by 5.1% to HK$286 million (2014: HK$272 million). The effective tax rate for the year was 30.6% (2014: 24.9%) as the loss making units in mainland China reduced the profit before taxation and there is no group relief in the PRC.

Net Asset Value Per Share

Calculation of net asset value per share was based on the net asset value of the Group of HK$9,488 million (31 December 2014: HK$9,763 million) and the 1,832,133,000 ordinary shares issued at 31 December 2015 (31 December 2014: 1,831,993,000 ordinary shares). Net asset value per share at 31 December 2015 was HK$5.18 (31 December 2014: HK$5.33).

Capital Commitments

Please refer to note 30(a) to the financial statements for details of capital commitments outstanding at 31 December 2015.

Contingent Liabilities

Please refer to note 31 to the financial statements for details of contingent liabilities at 31 December 2015.

Financial Review

Capital Expenditure

In 2015, the Group's total capital expenditure was HK$651 million (2014: HK$939 million) and major usages are summarised as follows:

Motor and Motor Related Business	– For renovating 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	**2015**	2014	Change
Motor and Motor Related Business	**444**	818	(374)
Food and Consumer Products Business	**158**	83	75
Other Business	**29**	7	22
Corporate Office	**20**	31	(11)
Total	**651**	939	(288)

Treasury Policy

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. Local cash pooling and cross-border cash pooling are 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.

Cash Flow

Summary of Consolidated Cash Flow Statement

HK$ million	**2015**	2014	Change
Operating profit before changes in working capital	**1,779**	1,858	(79)
Decrease / (increase) in working capital	**1,625**	(2,482)	4,107
Cash generated from / (used in) operations	**3,404**	(624)	4,028
Income tax paid	**(374)**	(195)	(179)
Net cash generated from / (used in) operating activities	**3,030**	(819)	3,849
Net cash used in investing activities	**(610)**	(510)	(100)
Dividends paid to shareholders of the Company	**(233)**	(366)	133
Net cash (used in) / generated from other financing activities	**(2,455)**	1,040	(3,495)
Net decrease in cash and cash equivalents	**(268)**	(655)	387

Financial Review

Operating profit before changes in working capital

Profit before taxation was HK$934 million in 2015 (2014: HK$1,094 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$1,779 million (2014: HK$1,858 million).

Decrease / (increase) in working capital

In 2015, working capital decreased by HK$1,625 million which included the decrease in inventories of HK$1,739 million with the decrease in vehicle stock both in Hong Kong and the PRC (total inventory decreased by HK$1,912 million taking into account the exchange impact); the decrease in trade debtors and other receivables of HK$62 million was offset by the decrease in trade creditors and other payables of HK$176 million.

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 debtors and other receivables of HK$291 million was offset by the increase in trade creditors and other payables of HK$294 million.

Net cash generated from / (used in) operating activities

In 2015, cash generated from operations, after taking into account the decrease in working capital, was HK$3,404 million. Together with the tax paid of HK$374 million, net cash generated from operating activities was HK$3,030 million.

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.

Net cash used in investing activities

In 2015, purchase of property, plant and equipment and lease prepayments were HK$657 million. After netting off the net proceeds from disposal of property, plant and equipment of HK$200 million and net cash used in other investing activities (mainly for business combinations) of HK$153 million, net cash used in investing activities was HK$610 million.

In 2014, purchase of property, plant and equipment and lease prepayments were HK$933 million. After netting off the net proceeds from disposal of property, plant and equipment and assets 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.

Net cash (used in) / generated from financing activities

In 2015, net repayment of bank and other loans of HK$2,129 million and net cash outflow to holders of non-controlling interests of HK$117 million, interest paid of HK$209 million and dividends paid to shareholders of the Company of HK$233 million, net cash used in financing activities was HK$2,688 million.

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.

Financial Review

Group Debt and Liquidity

The financial position of the Group at 31 December 2015 is summarised as follows:

HK$ million	**2015**	2014	Change
Total debt	**6,550**	8,661	(2,111)
Cash and bank deposits	**1,110**	1,493	(383)
Net debt	**5,440**	7,168	(1,728)

The Group has established various local RMB cash pools and cross-border RMB cash pool 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 2015 is summarised as follows:

HK$ million equivalent	HKD	RMB	JPY	USD	SGD	NTD	Others	**Total**
Total debt	4,079	1,164	353	633	24	252	45	**6,550**
Cash and bank deposits	129	838	35	32	43	22	11	**1,110**
Net debt / (cash)	3,950	326	318	601	(19)	230	34	**5,440**

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 2015, the Group's net gearing ratio was 37.6%, compared to 43.5% at 31 December 2014.

HK$ million	**2015**	2014	Change
Net debt	**5,440**	7,168	(1,728)
Shareholders' funds	**9,047**	9,322	(275)
Total capital	**14,487**	16,490	(2,003)
Net gearing ratio	**37.6%**	43.5%	(5.9%)

Net debt decreased in 2015 mainly due to decrease in inventory for both motor and food business in Hong Kong and the PRC.

The effective interest rate of the Group's borrowings at 31 December 2015 was 2.8% (31 December 2014: 3.6%) with the decrease in RMB bank borrowings which carries a higher interest rate versus HKD 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 2015, the borrowings were repayable as follows:

	HK$ million	% of total
Within 1 year or on demand	**2,455**	37%
After 1 year but within 2 years	**1,484**	23%
After 2 years but within 5 years	**2,611**	40%
Total	**6,550**	100%

Financial Review

Available Sources of Financing

In addition to cash and bank deposits of HK$1,110 million at 31 December 2015 (31 December 2014: HK$1,493 million), the Group had undrawn available loan facilities of HK$7,510 million (31 December 2014: HK$8,008 million), of which HK$300 million (31 December 2014: HK$440 million) was committed term loans and HK$7,210 million (31 December 2014: HK$7,568 million) was uncommitted money market lines. The Group also had available trade facilities amounting to HK$3,917 million (31 December 2014: HK$4,007 million). Borrowings by sources of financing at 31 December 2015 are summarised as follows:

HK$ million	**Total**	Utilised	Available
Committed facilities:			
Term loans and revolving loans	**4,774**	4,474	300
Uncommitted facilities:			
Money market lines	**9,214**	2,004	7,210
Trading facilities	**4,986**	1,069	3,917

These could be reconciled to the total debt at 31 December 2015 as follows:

HK$ million	**2015**	2014	Change
Utilised term loans and revolving loans	**4,474**	4,847	(373)
Utilised money market lines	**2,004**	3,713	(1,709)
Discounted bills and trade loans	**90**	122	(32)
Others	**(18)**	(21)	3
Total	**6,550**	8,661	(2,111)

Pledged Assets

At 31 December 2015, the Group's assets of HK$399 million (31 December 2014: HK$877 million) were pledged in relation to financing of issuance of bank acceptance drafts and purchase of vehicles stock in mainland China.

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 2015, the Group had complied with all of the above financial covenants.

Risk Management

In accordance with the Group's development strategy, the Group has established a risk management system covering all the business segments to monitor, assess and manage various risks in the Group's business activities.

The risk management system of the Group is established in line with the global standard and comprises the "Three Lines of Defence" including the management of each business unit, the risk management function of the Group and the internal audit function.

The Board has identified the top risks of the Group which are summarised in a Risk Appetite Statement and determined how much risk the Board is willing to take to achieve the Group's strategic objectives. The Group has also prepared a Risk Management Policy based on the above risk appetite and conduct regular review of operational and financial risks as reported by each business unit. Each business unit is required to identify risks on a day-to-day basis, to update the Risk Register for any major issues and to report any major risk to the Group.

Based on the risk profile of each business unit, and take into account the management control and corporate oversight at Group's level, the Audit Committee and Internal Audit would map out a risk-based internal audit plan each year.

The Finance Committee is delegated the powers of the Board to establish or renew financial and credit facilities and undertake financial and credit transactions in accordance with the Treasury Policy of the Group. The Treasury Department of the Group is responsible for communicating and implementing the decision of the Finance Committee, monitoring the adherence of the Treasury Policy and preparing relevant reports. All business units have the responsibilities for identifying and effectively managing their financial risks positions and reporting to the Group's Treasury Department on a timely basis.

Financial Risk

(1) Interest rate risk

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

In 2015, the Group had entered into a number of interest rate swaps for hedging purpose with a total notional contract amount of HK$620 million (2014: HK$800 million) to reduce the impact of interest rate fluctuation on its unsecured bank borrowings. These interest rate swaps will be expired in 2017 and 2018.

At 31 December 2015, 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$1,720 million (31 December 2014: HK$2,000 million).

At 31 December 2015, the Group recognised interest rate swaps with a fair value of HK$6 million liabilities (31 December 2014: HK$1 million liabilities) as derivative financial instruments.

(2) Currency risk

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

The Group 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 2015, the Group recognised foreign currency forward contracts with a fair value of HK$1 million liabilities (31 December 2014: HK$2 million assets) as derivative financial instruments.

Besides, certain bank borrowings denominated in Japanese Yen are designated as a hedge of the net investment in a subsidiary in Japan. The carrying amount and the fair value of these bank borrowings at 31 December 2015 was HK$206 million (2014: nil).

Risk Management

(3) Counterparty risk

The Group's counterparty risk in treasury primarily related to the deposits placed with banks and the delivery ability of banks on foreign exchange and other derivatives transactions for hedging purpose.

The Group has set up limits for banks in order to ensure the Group to deal with appropriate counterparties which their ability has been evaluated and concentration risk is addressed.

The limits should be correlated to the bank's credit rating, loan limit granted to the Group and business relationship.

Operational Risk

(1) Discontinuation of distributorship / dealership rights

The core business of the Group is act as the distributors or dealers for motor, food and other consumer products. In case the distributorship / dealership rights are discontinued, it may have a significant impact on the business.

The Group has adopted a multi-brand and diversified market exposure approach to avoid over reliance on one particular brand or one single market.

(2) Credit Risk

The Group mainly confronted with credit risk resulting from trade debtors that arising from sale of goods and rendering of services to customers. Due to the Group's diversified business nature, the Group maintained a relatively low customer concentration risk.

The Group and relevant subsidiaries established credit policies and procedures to analyse and identify the credit risks, set appropriate credit limits and controls, monitor the risks on timely basis by means of reliable management information systems. The Group performs regular updates to enhance the credit policies in order to cope with the changes in markets, products and practice of credit risk management.

Individual credit assessments are performed on customers to determine the applicable credit limits and terms. Regular review on credit limits and terms are performed in order to ensure those are comparable to the credit standing of customers and the latest business environments.

Five Year Summary

At year end (HK$ million)	**2015**	2014	2013	2012	2011
Total debt	**6,550**	8,661	7,424	6,409	5,784
Cash and bank deposits	**1,110**	1,493	2,173	3,225	2,854
Net debt	**5,440**	7,168	5,251	3,184	2,930
Shareholders' funds	**9,047**	9,322	8,994	8,511	7,909
Total capital	**14,487**	16,490	14,245	11,695	10,839
Capital employed	**15,597**	17,983	16,418	14,920	13,693
Net gearing ratio	**37.6%**	43.5%	36.9%	27.2%	27.0%
Interest cover (times)	**8**	7	9	7	13
Property, plant and equipment	**3,485**	3,821	3,798	3,358	3,070
Investment properties	**384**	374	366	565	875
Lease prepayments	**568**	551	537	491	382
Interests in associates	**350**	350	224	236	228
Interests in joint ventures	**411**	415	426	254	239

For the year (HK$ million)	**2015**	2014	2013	2012	2011
Turnover	**44,803**	46,489	42,261	48,014	46,109
Profit attributable to shareholders	**570**	750	901	1,045	1,323
Basic earnings per share (HK cents)	**31.11**	40.94	49.21	57.24	72.73
Diluted earnings per share (HK cents) [Note]	**31.11**	40.94	49.15	57.06	72.40
Net gain on remeasurement of investment properties	**18**	10	19	43	124
EBITDA	**1,744**	1,935	2,074	2,362	2,450
Dividend per share	**HK cents**	HK cents	HK cents	HK cents	HK cents
Interim	**6.10**	9.30	8.68	11.78	14.30
Final	**6.40**	6.60	10.72	8.88	12.74
Total	**12.50**	15.90	19.40	20.66	27.04

Note:

The diluted earnings per share for the years 2014 and 2015 are the same as basic earnings per share as the potential ordinary shares in respect of outstanding share options are anti-dilutive.

Five Year Key Operation Data

Total number of new vehicles sold by DCH

Year	2015	2014	2013	2012	2011
Location					
Mainland China	**95,592**	97,200	84,562	81,042	85,448
Hong Kong	**12,820**	12,695	10,481	8,798	9,282
Macao	**1,828**	2,111	2,370	2,058	1,754
Other Markets	**4,879**	3,830	3,551	2,718	2,235
Total	**115,119**	115,836	100,964	94,616	98,719

Total number of 4S shops in mainland China

Year end	2015	2014	2013	2012	2011
4S shops	**78**	79	75	69	65

Total number of motor vehicle showrooms in Hong Kong

Year end	2015	2014	2013	2012	2011
Motor vehicle showrooms	**12**	11	11	11	13

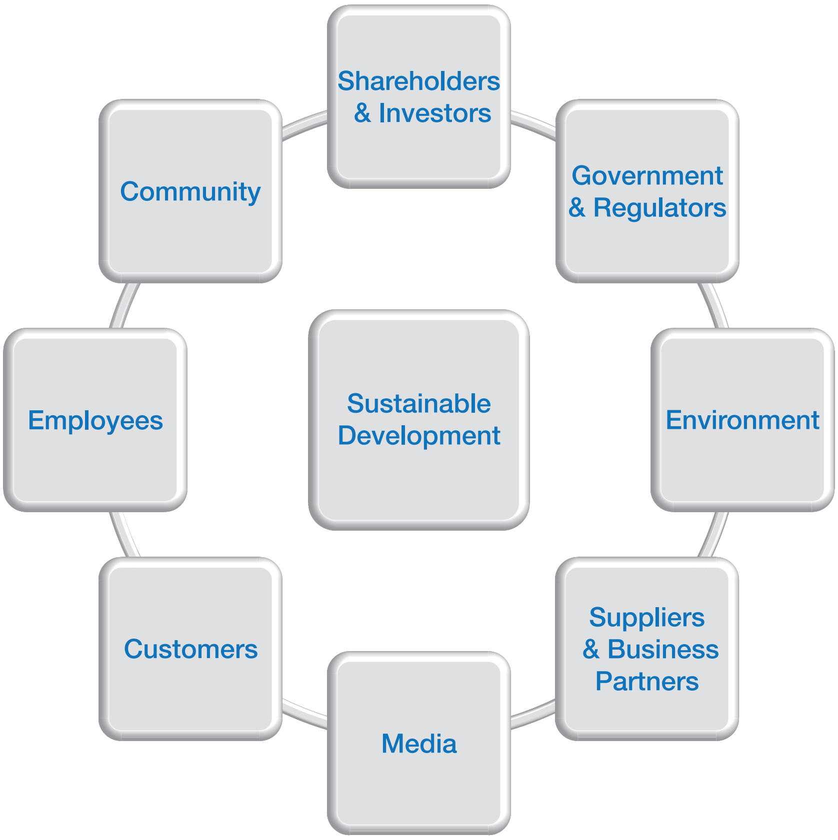
Total number of DCH food retail outlets in Hong Kong

Year end	2015	2014	2013	2012	2011
DCH Food Mart	**17**	24	35	39	41
DCH Food Mart Deluxe	**68**	66	56	46	42
Total	**85**	90	91	85	83

Environmental, Social and Governance Report

Engaging Our Stakeholders

DCH has made every effort to engage all of its stakeholders, including shareholders and investors, employees, customers, suppliers and business partners, the media, government and regulators, the environment and the community to achieve 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 is also 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 example, in Hong Kong, upon the commencement of the new Competition Ordinance, we have provided practical guidelines for our business units to follow, so as to avoid infringement against the Ordinance; whereas in mainland China, after the revised "Food Safety Law" was launched, we have arranged seminars and workshops for our staff to get familiar with it.

For more details about our compliance with the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), please refer to the compliance section on pages 42 to 58.

Environmental, Social and Governance Report

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 2015. The core value of "Excellent Service with Customers First" 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.

Environmental, Social and Governance Report

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 of conduct.

As at 31 December 2015, the Group had a total of 16,207 employees, with 11,631 in mainland China, 3,962 in Hong Kong and Macao, and 614 in other locations, namely Japan, Taiwan, Singapore and Myanmar.

Location	**December 2015**	December 2014	December 2015 vs December 2014
Mainland China	**11,631**	12,394	–6.2%
Hong Kong & Macao	**3,962**	4,027	–1.6%
Other Locations	**614**	542	13.3%
Total	**16,207**	16,963	–4.5%

The total number of employees by the end of 2015 was 4.5% lower than that of 2014, upon the consolidation of our car dealership business in mainland China. The increase in employees for other locations was mainly to support the fast expansion of *Isuzu* business in Taiwan and new business in Myanmar.

2. Remuneration

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.

Environmental, Social and Governance Report

3. **Staff Activities**

To increase employees' engagement, wellness and sense of belonging to the Group, different social, recreational and health-related activities were arranged in 2015. In Hong Kong, a total of 15 events were organised with 2,818 participants. 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. In 2015, it was our first time to arrange 2-day trips for staff. Four trips to Zhuhai Chimelong Ocean Kingdom were organised. All Hong Kong staff welcomed the trips with 901 employees and their family members participated in this event.

4. **Staff Retention**

In 2015, staff turnover rate for Hong Kong and mainland China was 21.3% and 28.8% respectively. Higher staff turnover was experienced among the frontline sales and logistics employees in Hong Kong, and frontline sales and technical employees in mainland China. Measures such as expanding recruitment channels, reviewing employees' compensation and benefits scheme and related terms and conditions, etc., were adopted to recruit and retain talent.

5. **Health and Occupational Safety**

The Group strives to provide a safe and healthy work environment for all employees. Regular reviews and audits are performed in accordance with the statutory and industry requirements. There was no fatal accident recorded in 2015. In Hong Kong, the injury rate, on a per thousand employees basis, for the year was 26.1, a significant improvement from 38.3 in 2014.

6. **Development and Training**

The Group realises training and development is one of the keys to success. Over the year, the Group provided various types of training programmes for different levels of employees, including leadership & management, sales & services, personal effectiveness and professional knowledge and skills training. It is aimed to achieve continuous improvement and enhance the competence of employees. The total training hours offered in 2015 was around 200,000.

In addition, in order to strengthen the DCH performance management culture, and align with the performance management practices, the Group has modified the performance management framework by adopting the "Balance Scorecard" and "Competence Model". With these, managers can set comprehensive goals and assess how the goals could be achieved by the expected behaviours of employees. Through various training workshops, managers have learnt the ways to manage employees' performance effectively.

To support all employees to realise their potentials and aspirations, and to build the leadership pipeline, the 2-year "Senior Executive Development Programme" and "HiPo Development Programme" were launched and all participants have achieved good progress. Moreover, the Group continues to organise management trainee and apprenticeship programmes, aiming to get young talent prepared for the long-term development within the Group.

Environmental, Social and Governance Report

Community

1) Charitable Donations

As a committed corporate citizen, DCH consistently participates in various charity events, and gives philanthropic support to non-governmental organisations, including Oxfam, Orbis, Medecins San Frontieres, YMCA and Green Power. At the same time, DCH also engages our business units, staff and other stakeholders in different regions to participate in various fund raising events, leveraging our business strength to help those in need.

The most notable and successful example of the fund raising events we have participated in is the Oxfam Trailwalker. In 2015, it was our very first time to invite mainland colleagues to join this meaningful event, forming 5 teams of 20 representatives to take up the 100 km challenge. DCH also concerted the efforts from our staff and business units to raise funds for this meaningful event. Over HK$149,000, including monetary and in kind support was given, supporting Oxfam's work in poverty relief.

In addition, DCH reacts proactively in times of disasters. In June 2015, after the waterpark dust explosion incident in Taiwan, our local operations responded immediately to raise funds for the victims. A total of NTD600,000 was raised to provide emergency support.

2) Community

Our DCH Volunteer Team is obliged to provide a "Better Living" for the people in need in the society where we work and live. Over the previous years, our DCH Volunteer Team has organised numerous volunteer activities to help those in need, with special focus on elderly, children and the underprivileged.

In addition to our Yunnan and Southern China Volunteer Teams, in 2015, our third Volunteer Team was set up in Eastern China, spreading our love and care to cities including Shanghai, Zhejiang and Nanjing. Together with the continuous effort from our passionate Hong Kong Volunteer Team, the total number of service hours was more than 6,500 hours.

Mobile Classroom project is our annual highlighted event as DCH has been the key sponsor of the project since 2010. The Mobile Classroom, a mini-van donated by DCH, serves children and villagers in remote areas of mainland China through regular visits. Eight volunteers from different regions joined the Mobile Classroom service trip this year and spent seven days in the villagers' families and schools in mountainous regions of Yunnan. Besides bringing hopes and care to local children, staff volunteers also gained valuable experience of rural village life and interacted with DCH volunteers from other regions to exchange ideas in volunteering.

Environmental, Social and Governance Report

3) Awards and Recognitions

DCH has been awarded the "Caring Company" logo by the Hong Kong Council of Social Service for over five years. We also earned a "Gold Certificate" in volunteering service from the Social Welfare Department, which recognises our efforts in fulfilling corporate social responsibility. In 2015, our DCH Volunteer Team garnered the "Bronze Award" in the "volunteer category" of "Hong Kong Outstanding Corporate Citizenship award" organised by the Hong Kong Productivity Council, and was also awarded the "Corporate Citizenship Logo" in the "Enterprise Category". This is undoubtedly a great recognition of the Group's effort in community services.

Environment

Green Business

DCH recognises the importance of environmental protection. Over the years, we have given our best efforts in incorporating eco-friendly measures when operating our business.

For Motor Business, we are the pioneer in introducing electrical buses and eco-friendly vehicles in Hong Kong, advocating the concept of Green driving. Moreover, when doing vehicle maintenance work, we have started to switch from using solvent-based paint to water-borne paint in recent years, minimising the impact to the environment. For Food Business, along with the implementation of Plastic Shopping Bag charging scheme in April 2015, our retail store, *DCH Food Mart* and *DCH Food Mart Deluxe* donated all plastic bag charges collected over the year to the charity fund established by The Conservancy Association, Greeners Action and Green Power Limited to support their waste reduction projects. At the same time, *DCH Food Mart* and *DCH Food Mart deluxe* will advocate the message of "Bring Your Own Bag", which align with the Group's belief in environmental conservation.

Green Office

To create a green working environment, DCH also put the 4Rs principle (Reduce, Reuse, Recycle and Replace) into practice by minimising office wastage. Moreover, DCH also supported environmental campaigns, for example, the Earth Hour organised by World Wide Fund. In addition, our green committee "Green Care" arranged a series of green promotions and activities over the year to educate our staff the importance of environmental protection, including organic waste recycling centre site visit and low carbon cooking class, so as to introduce an eco-friendly lifestyle to our staff.

Awards and Recognitions in 2015

Award	Organisation
"Class of Excellence" in "Wastewi$e Label", Hong Kong Awards for Environmental Excellence	Environmental Campaign Committee
"Class of Excellence" in "Energywi$e Label", Hong Kong Awards for Environmental Excellence	Environmental Campaign Committee
"Carbon "Less" 3% Certificate", Hong Kong Awards for Environmental Excellence	Environmental Campaign Committee
"IQAwi$e Labels", Hong Kong Awards for Environmental Excellence	Environmental Campaign Committee
"Gold Label" in the Low-carbon Office Operation Programme (LOOP) Labelling Scheme	World Wide Fund for Nature Hong Kong
"Pearl Membership"	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

Environmental, Social and Governance Report

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 and committed to comply 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 2015, 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 Listing Rules.

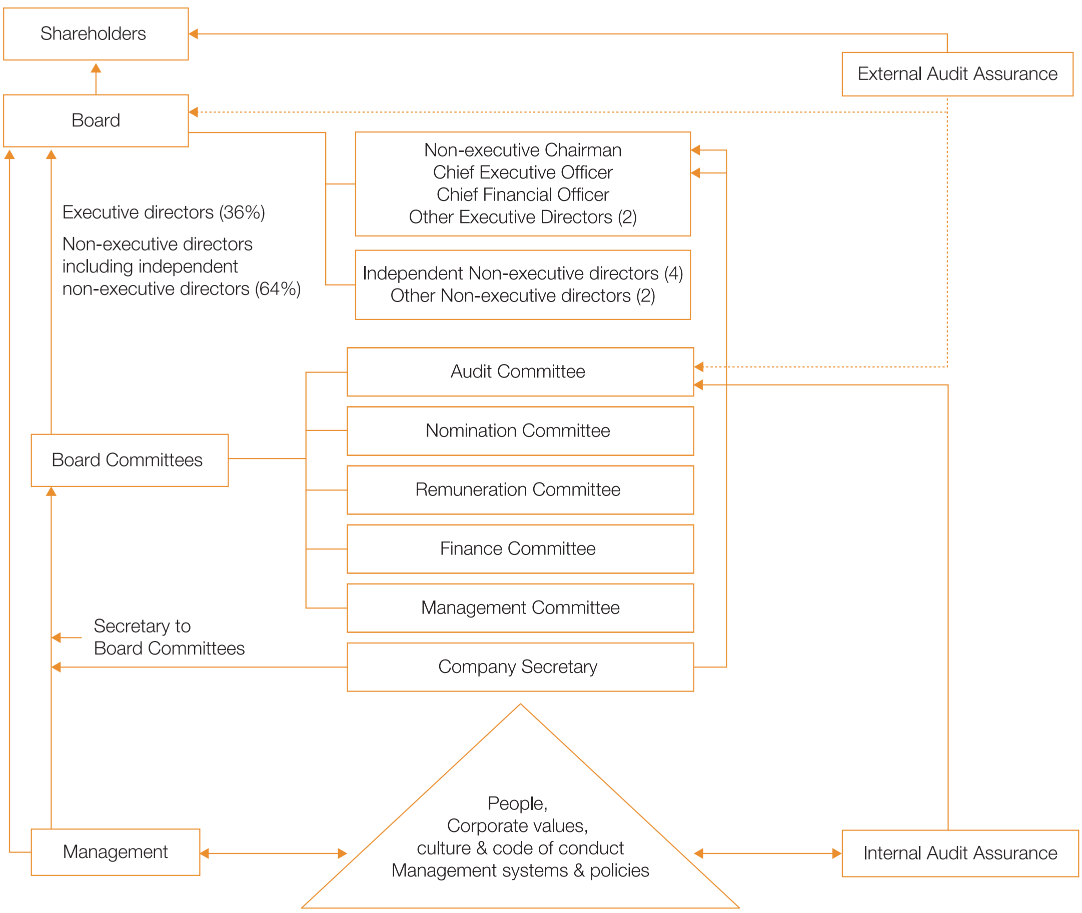
For the year 2015, DCH had made further progress with its corporate governance practices including:

– set up management committee to oversee and review the overall performance of the Group and major business units;
– updated the terms of reference of the audit committee with risk management functions; and
– revised the whistle blowing policy.

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.



Environmental, Social and Governance 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 and management committee. 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

On 26 February 2016, DCH announces that Mr Wai King Fai, Francis will retire as an executive director with effect from 10 May 2016. 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 the chairman and the president of CITIC Pacific Limited ("CITIC Pacific", a controlling shareholder of DCH); Mr Kwok Man Leung is the executive vice president and a director of CITIC Pacific and Mr Fei Yiping is a director and the chief financial officer 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 this annual report.

All directors, including the non-executive directors, have a specific term of appointment which is not more than three years since his re-election by shareholders at the 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 three or 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.

Environmental, Social and Governance Report

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.

Environmental, Social and Governance Report

Directors' Continuous Professional Development ("CPD") Programme

DCH has 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, seminars and luncheons organised by various local organisations.

Under DCH's CPD Programme, the Board visited the Group's semi-knock down factory in Taichung and Taipei Triangle Motors Limited's ("TTM") headquarters in Taipei in November 2015. 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.

A summary of directors' participation in DCH's CPD Programme for the period from 1 January 2015 to 31 December 2015 is as follows:

Name of Directors	Type of CPD Programme *(Keys)*
Non-executive Chairman	
Mr Zhang Jijing	A, B, C, E
Executive Directors	
Mr Yip Moon Tong *(Chief Executive Officer)*	A, B, C, E
Mr Lau Sei Keung	A, B, C, E
Mr Glenn Robert Sturrock Smith	A, B, C, E
Mr Wai King Fai, Francis *(Chief Financial Officer)*	A, B, C, E
Non-executive Directors	
Mr Kwok Man Leung	A, B, C, E
Mr Fei Yiping	A, B, C, 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.

Environmental, Social and Governance Report

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 2015. 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 adjustments to the fees for non-executive Directors of the Company, revised the whistle blowing policy, approved the revised terms of reference of audit committee and adopted terms of reference of the management committee. 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 2015, a Board meeting was held in Taipei, Taiwan where the Board paid the site visits to the Group's semi-knock down factory in Taichung and TTM's headquarters in Taipei. A schedule of Board meetings dates is fixed for each year in advance. 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 are kept at the company secretary's office. The minutes are available to all directors for inspection. In addition to the Board meetings, the Chairman held a private meeting with the non-executive directors (including the independent non-executive directors) without the presence of the executive directors on an annual basis.

The attendance record of each director at Board meetings and the annual general meeting of DCH held on 4 May 2015 ("2015 AGM") is set out below:

	Attendance / Number of Meeting	
Name of Directors	**Board Meeting**	**2015 AGM**
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 as well as providing strategic direction for DCH. 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.

Environmental, Social and Governance Report

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:

Audit Committee

The audit committee acts on behalf of the Board in providing oversight of DCH's financial reporting, annual audit and interim review, risk management, internal control as well as corporate governance. It consisted of the 4 independent non-executive directors, and 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. 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.

During the year, the terms of reference of audit committee were revised to include risk management functions. The revised full terms of reference are available on DCH's website and the Stock Exchange's website.

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 system;
- 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 risk management and internal control systems, including the resources for the Group's internal audit function, staff qualifications and experience, as well as arrangements for concerns raised by staff on financial reporting, internal control 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.

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:

Members	Membership and Attendance 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 reports to the Board after each audit committee meeting.

Work Done in 2015

During 2015, the work done by the audit committee includes:

- 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 external auditor's reports to the audit committee on their statutory audit of 2014 annual financial statement and their independent review of the 2015 interim financial statement and the audit plan by external auditor;
- 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;
- approved internal audit's annual audit plan for 2016;
- reviewed the staffing and resources of internal audit;
- reviewed and recommended the revised terms of reference of the audit committee and amendments to whistle blowing policy for the approval by the Board;
- reviewed the adequacy and effectiveness of DCH's internal controls, including financial, operational and compliance controls and risk management and considered the adequacy of resources, qualification and experience of staff of the Group's accounting and financial reporting function, training programmes and budget; and
- reviewed 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 2016, the audit committee reviewed and approved DCH's annual financial statements and annual report for the year ended 31 December 2015, and considered reports from the external and internal auditors. The audit committee recommended that the Board approves the 2015 annual report.

Environmental, Social and Governance 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, which shall take into consideration the principle of diversity;
- 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;
- to make recommendations to the Board on the appointment or re-appointment of directors; and
- to review the board diversity policy and makes recommendations on any required changes to the Board.

The board diversity policy sets out the approach to achieve diversity on the Board which includes and makes 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 of Group Human Resources & Administration Department ("GHRA") 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

Environmental, Social and Governance Report

Work Done in 2015

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 2015. 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.

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 of GHRA 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:

Membership and Attendance

Members	Attendance / Number of Meeting
Independent Non-executive Directors	
Mr Hsu Hsung, Adolf *(chairman)*	1 / 1
Mr Cheung Kin Piu, Valiant	0 / 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 2015

During the year, the remuneration committee held one meeting. Two sets of resolutions were passed by circular by all the committee members during 2015. 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 2016. The remuneration committee has reviewed DCH's proposals on increment of the fees for non-executive directors. It was approved by the shareholders at the 2015 AGM.

Details of DCH's remuneration policies are set out on page 38 under the heading "Remuneration" of this report. Details of directors' emoluments and retirement benefits are disclosed in notes 9 and 27 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 2015 are disclosed under the section headed "Share Option Scheme" of the Report of the Directors.

Environmental, Social and Governance Report

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 2015 primarily related to approving new banking facilities, renewal of banking facilities, undertakings, guarantees and other commitments with financial impact to the Group.

Management Committee

The management committee was established by the Board with written terms of reference adopted on 20 August 2015. The management committee currently comprises 4 executive directors including Chief Executive Officer and Chief Financial Officer, together with Chief Corporate Officer and certain senior corporate directors appointed by the Chief Executive Officer. The major functions of management committee are:

- to oversee and review the overall performance of the Group and major business units;
- to review and approve new projects and capital expenditures;
- to review and make recommendation for the Board to approve the annual budget and 3 year plan of DCH;
- to review and approve DCH's day-to-day operational corporate policies;
- to monitor compliance of DCH's policies and practices on corporate governance and DCH's policies on legal and regulatory requirements and report to the audit committee; and
- to review and recommend to the Board strategic planning of the Group for new business and new direction.

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) 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)(i) to the financial statements.

The responsibilities of the external auditor with respect to the financial statements for the year ended 31 December 2015 are set out in the Independent Auditor's Report on page 76.

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 2015 financial statements.

For the year ended 31 December 2015, the fees charged to the financial statements of the Group in respect of KPMG's statutory audit amounted to approximately HK$13.8 million. In addition, approximately HK$4.4 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$4.5 million and the fees of provision of other services were approximately HK$1.4 million.

Environmental, Social and Governance Report

Internal Controls and Risk Management

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 and risk management. During 2015, the Board has approved the risk management policy and the risk appetite statement. The Group's risk governance structure is based on the "3 lines of defence" model, with oversight and directions from the Board. As the first line of defence, operational managers of business unit own and manage risks. The second line of defence provides oversight of the risk management activities of the first line of defence. Internal auditors and outstation accounting supporting team of DCH, as the third line of defence, provide independent and objective assurance on the overall effectiveness of the risk management framework. Under DCH's risk and 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:

- overall control environment, including code of conduct governing staff conduct within the Group, and whistle blowing policy (discussed further on page 54);
- 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;
- 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
- 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.

Environmental, Social and Governance Report

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.

Environmental, Social and Governance Report

Internal Audit Resources and Major Work Done in 2015

The internal audit function comprised 22 audit staff members at 31 December 2015 who are based in Hong Kong, Shanghai and Guangzhou 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 internal audit to establish the extent of completion of remedial actions taken by the management, with follow-up results, audit progress and available resources reviewed by the audit committee at each committee meeting.

In 2015, 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 2015 internal control self-assessment exercises for major business units conducted by the management of the Group, regarding internal controls and risk management activities, as well as adequacy, qualification, experience and training programmes of the accounting and financial reporting functions of the Group.
- Implemented continuous training and development programmes, including quarterly sharing sessions and periodic training workshops, for all internal audit staff 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 of GHRA. 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. 24 whistle blowing instances were reported during the year.

Environmental, Social and Governance Report

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 of 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 legally 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 2015. The interests held by individual directors in DCH's securities as at 31 December 2015 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 2015, DCH issued press announcement(s) in respect of notifiable transaction and continuing connected transactions, 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.

Environmental, Social and Governance Report

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% 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.

Environmental, Social and Governance Report

(c) Procedures for shareholders to put forward proposals at an Annual General Meeting ("AGM")

- Circulating a resolution for an 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% 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% 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.

Environmental, Social and Governance Report

Constitutional Documents

There were no amendments made to the constitutional documents of DCH during 2015.

The latest version of the Articles of Association of DCH is available on the websites of DCH and the Stock Exchange.

Non-Competition Undertaking

CITIC Limited ("CITIC", a controlling shareholder of DCH) 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 associates (as defined under the then Listing Rules) 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 subsidiaries) not to engage in the trading and distribution of motor vehicles, food commodities, fast moving consumer goods and consumer products and provision of logistics services as then engaged in by DCH and disclosed in the prospectus dated 4 October 2007, or in any other business that may compete, directly or indirectly, with such business ("Restricted Activity"), and (ii) in the event that any opportunity is made available to CITIC to invest in any independent third party's business engaging in the Restricted Activities, 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 subsidiaries) and advised that during the year 2015, their business did not compete with the Restricted Activity and there was no opportunity made available to CITIC to invest in any independent third party which was engaged in the Restricted Activity. 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.

Directors and Senior Management

Non-Executive Chairman

Zhang Jijing

Aged 60, 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 also the chairman and the president of CITIC Pacific Limited ("CITIC Pacific", 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. He was an executive director and a vice president of CITIC Group Corporation ("CITIC Group", the ultimate holding company of DCH), the head of the strategy and planning department of CITIC Group, a non-executive director of CITIC Securities Company Limited (listed on The Stock Exchange of Hong Kong Limited (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). Mr Zhang was also an executive director of CITIC Limited ("CITIC", a controlling shareholder of DCH listed on the Stock Exchange) until 23 December 2015.

Executive Directors

Yip Moon Tong *Chief Executive Officer*

Aged 63, 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 62, 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, Macao, 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 63, 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, food retailing and food agency distribution. He is also Chief Executive of Sims Trading Company Limited ("Sims Trading"), a marketing and distribution business of agency food products in Hong Kong, Macao 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 56, 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.

Directors and Senior Management

Non-Executive Directors

Kwok Man Leung

Aged 47, a Non-executive Director since July 2007. Mr Kwok is a Chartered Financial Analyst. He is the 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, energy, 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 and a non-executive director of CITIC Telecom International Holdings Limited ("CITIC Telecom", listed on the Stock Exchange).

Fei Yiping

Aged 52, a Non-executive Director since January 2010. Mr Fei is a director and the chief financial officer of CITIC Pacific, a director and the chief financial officer of CITIC Hong Kong (Holdings) Limited, a director of Companhia de Telecomunicações de Macau, S.A.R.L., and 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, property and energy. He has over 15 years experience in accounting and financial management. He has been with CITIC Group since 1991. Between 2001 and 2008, Mr Fei first acted as treasurer and director of CitiSteel USA, Inc. and then as vice president of CITIC USA Holdings, Inc. and chief representative of CITIC Group in New York. When he returned to China in 2008, he became deputy director-general of the finance department of CITIC Group Corporation. Mr Fei was also a non-executive director of CITIC Telecom.

Independent Non-Executive Directors

Cheung Kin Piu, Valiant

Aged 70, 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 The Bank of East Asia, Limited ("BEA") and Vitasoy International Holdings Limited, both 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. Mr Cheung was an independent non-executive director of Pacific Century Premium Developments Limited (listed on the Stock Exchange).

Hsu Hsung, Adolf

Aged 77, 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.

Directors and Senior Management

Yeung Yue Man
Aged 77, 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 the Pan-Pearl River Delta Panel under the Central Policy Unit, and a member of the Commission on Strategic Development of The Government of the Hong Kong Special Administrative Region.

Chan Kay Cheung
Aged 69, an Independent Non-executive Director since 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 60, 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 51, 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 experience in the motor industry.

Ho Ming Kei, Wayne
Aged 55, 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.

Hui Kwong Lok
Aged 59, 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.

Directors and Senior Management

Kuk Tai Wai, David

Aged 64, is a Corporate Director of the Group and the Managing Director of DCH Logistics Company Limited and is primarily responsible for the overall management and performance of the logistics business of the Group. He joined CITIC Pacific (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.

Lee Kai Yeung

Aged 59, is a Corporate Director of the Group and he is in charge of food trading and food manufacturing 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.

Leung Pui Ching

Aged 53, is a Corporate Director of the Group, the Head of Agency Products of DCH and also Director of HK operations of Sims Trading. She is responsible for the daily operation, management and business development of DCH's branded FMCG business including Sims Trading, DCH consumer products, Tai Luen Coffee Company Limited and house brand expansion in Hong Kong and Macao. She 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. Ms Leung has 30 years sales and marketing experience in sales, marketing, advertising and buying across different parts of the supply chain including manufacturing, distribution and retailing in the consumer product industry. Ms Leung is currently Chairlady of the Hong Kong Suppliers Association.

Lo Yuk Shun

Aged 52, is a Corporate Director of the Group and the General Manager of Ancillary Business Division and Parts Division. He is primarily responsible for overseeing and developing the auto parts and accessories business as well as the environmental projects in the motor business. He is also responsible for exploring other business development opportunities for Motor Group. Mr Lo joined the Group in May 1989 and has 30 years experience in the motor industry.

Ng Kim Fan, Rex

Aged 47, is a Corporate Director of the Group and the Director & General Manager of Dah Chong Hong Motors (China) Limited ("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, Macao and the PRC.

Poon Lin Sing

Aged 49, is a Corporate Director and Head of Finance — Motor 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.

Wong Ming Yin

Aged 54, is a Corporate Director of the Group and the Director and General Manager of 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.

Zhou Jiajun

Aged 61, 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 food related business units based in Shanghai. He joined the Group in November 2008 and has over 20 years experience in promotion and marketing for high-end brands of food business.

Report of the Directors

The board (the "Board") of directors (the "Directors") of Dah Chong Hong Holdings Limited ("DCH") have pleasure in presenting to shareholders their report for the year ended 31 December 2015.

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 36 to the financial statements.

Business Review

A review of the business of DCH and its subsidiaries (together the "Group") for the year ended 31 December 2015 is set out in the sections headed "Chairman's Letter to Shareholders" and "Management Discussion and Analysis" on pages 3 to 7 and pages 8 to 24 respectively of this annual report. Description of the principal risks and uncertainties facing DCH can be found in the section headed "Risk Management" on pages 32 to 33 of this annual report. There was no major events affecting the Group that have occurred since the end of the financial year ended 31 December 2015. An indication of likely future developments in the Group's business can be found in the sections headed "Chairman's Letter to Shareholders" and "Management Discussion and Analysis" of this annual report.

The environmental, employees, customers and suppliers matters and compliance with relevant laws and regulations that have a significant impact on the Group, are set out in the section headed "Environmental, Social and Governance Report" of this annual report.

Dividends

The Directors declared an interim dividend of 6.10 HK cents (2014: 9.30 HK cents) per share in respect of the year ended 31 December 2015 which was paid on 24 September 2015. The Directors recommended, subject to the approval of the shareholders at the forthcoming annual general meeting, the payment of a final dividend of 6.40 HK cents (2014: 6.60 HK cents) per share in respect of the year ended 31 December 2015 payable on 8 June 2016 to shareholders on the register of members at the close of business on 18 May 2016.

Charitable Donations

Charitable donations made by the Group during the year amounted to HK$1.7 million (2014: HK$2.2 million).

Report of the Directors

Major Customers and Suppliers

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

	Percentage of the Group's Total Purchases	
	2015	2014
The largest supplier	**10.7%**	12.0%
Five largest suppliers in aggregate	**35.8%**	39.5%

So far as the Directors are 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 the Group as at 31 December 2015 are set out in note 23 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 *(Note)*

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 59 to 61 of this annual report.

In accordance with Article 104(A) of the Articles of Association of DCH, Messrs. Yip Moon Tong, Glenn Robert Sturrock Smith, Cheung Kin Piu, Valiant and Chan Kay Cheung shall retire by rotation from the Board at the forthcoming annual general meeting and, all being eligible, offer themselves for re-election.

The list of directors who have served on the boards of the subsidiaries of DCH during the financial year ended 31 December 2015 and up to the date of this report is available on DCH's website at www.dch.com.hk under "About DCH" section.

Note: On 26 February 2016, it was announced that Mr. Wai King Fai, Francis will retire as an executive director of DCH with effect from 10 May 2016.

Report of the Directors

Contracts of Significance with Controlling Shareholders

DCH entered into an administrative services agreement with CITIC Limited ("CITIC", 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 Limited ("CITIC Pacific", 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 Pacific for the year ended 31 December 2015 was HK$10.5 million (2014: HK$5.8 million paid to CITIC Pacific and HK$4.4 million paid to CITIC).

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 associates (as defined under the then Rules Governing the Listing of Securities on the Stock Exchange) 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 the trading and distribution of motor vehicles, food commodities, fast moving consumer goods and consumer products and provision of logistics services as then engaged in by DCH and disclosed in the prospectus dated 4 October 2007 (the "Prospectus"), or in any other business that may compete, directly or indirectly, with such business ("Restricted Activity"), and (ii) in the event that any opportunity is made available to CITIC to invest in any independent third party's business engaging in the Restricted Activity, 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 sections "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 2015.

Report of the Directors

Directors' Interests in Transactions, Arrangements or Contracts

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 transaction, arrangement or 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 32 to the financial statements. Some of these transactions also constitute "Continuing Connected Transactions" under the Listing Rules as summarised below.

Report of the Directors

Continuing Connected Transactions

During 2015, the Group has entered into the following continuing connected transactions which constituted non-exempt continuing connected transactions subject only to the announcement, reporting and annual review requirements under Chapter 14A of the Listing Rules.

1. **Leasing of premises for operations of the Group**

   On 31 May 2012, DCH entered into tenancy agreements in respect of certain Hong Kong 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. On 29 May 2015, DCH entered into new tenancy agreements in respect of such properties (other than a portion of the ground floor of the Ap Lei Chau Building) (the "New Tenancy Agreements") with the respective landlords for a further term of 3 years from 1 June 2015 to 31 May 2018. Details of these tenancies are as follows:

Location	Agreement Date	Monthly Rental HK$	Term
7 / F–12 / F CITIC Telecom Tower, 93 Kwai Fuk Road, Kwai Chung, New Territories, Hong Kong	31.5.2012 29.5.2015	787,290.00 843,525.00 1,068,465.00 1,283,507.00	1.6.2012 – 31.5.2013 1.6.2013 – 31.5.2014 1.6.2014 – 31.5.2015 1.6.2015 – 31.5.2018
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	31.5.2012 29.5.2015	1,440,877.50 1,600,975.00 2,241,365.00 2,350,231.00	1.6.2012 – 31.5.2013 1.6.2013 – 31.5.2014 1.6.2014 – 31.5.2015 1.6.2015 – 31.5.2018
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	31.5.2012 29.5.2015	318,700.00 497,477.00	1.6.2012 – 31.5.2015 1.6.2015 – 31.5.2018
Unit A on G / F, Units 1A, 1B and 1C on 1 / F, Portion 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)	31.5.2012 29.5.2015	1,249,069.05 1,306,216.00 1,505,413.94 1,772,697.00	1.6.2012 – 31.5.2013 1.6.2013 – 31.5.2014 1.6.2014 – 31.5.2015 1.6.2015 – 31.5.2018
DCH Building, No. 20 Kai Cheung Road, Kowloon, Hong Kong	31.5.2012 29.5.2015	9,165,953.76 11,610,688.00	1.6.2012 – 31.5.2015 1.6.2015 – 31.5.2018

Note: The tenancy agreement dated 31 May 2012 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.

Report of the Directors

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 year ended 31 December 2015 is approximately HK$84.4 million. The aggregate amount paid by the Group to the relevant landlords under the Tenancy Agreements during the year was approximately HK$73.0 million which did not exceed the capped amount.

The annual cap (including rentals, management fees and other outgoings (other than those which are collected by relevant landlords from DCH for payments to independent third parties)) payable under the New Tenancy Agreements for the financial years ended 31 December 2015 and ending 31 December 2016, 2017 and 2018 is approximately HK$137.8 million, HK$236.3 million, HK$247.1 million and HK$102.9 million, respectively. The aggregate amount paid by the Group to the relevant landlords under the New Tenancy Agreements during the year was approximately HK$125.3 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 and the New Tenancy Agreements constituted continuing connected transactions of DCH.

2. In the ordinary and usual course of business, the Group maintains balance of bank deposits with China CITIC Bank Corporation Limited ("CITIC Bank", a non-wholly owned subsidiary of CITIC and therefore a connected person of DCH), on normal commercial terms. On 21 August 2015, DCH entered into a master agreement with CITIC Bank (the "Master Agreement") setting out that the maximum balances of bank deposits (including any interests accrued thereon) in aggregate maintained by the Group with CITIC Bank on any given day would not exceed RMB240.0 million (approximately HK$290.0 million) for the period from the date of the Master Agreement to 31 December 2015, and for each of the two years ending 31 December 2016 and 31 December 2017.

In 2015, the maximum aggregate balance of bank deposits maintained by the Group with CITIC Bank totalled approximately RMB3.72 million (approximately HK$4.54 million), which did not exceed the capped amount on any given day.

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 (Revised) "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 their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Group in pages 67 to 68 of this 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 2015 are set out below:

	Name of OPCO	Date of establishment of OPCO	Registered Capital (Note iv) 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 v)	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	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%
4	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 i)
5	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 ii)	– 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%
6	廣州市廣保汽車維修有限公司 (Guangzhou Guangbao Motor Service Station Limited)	5.7.2011	0.3	胡麗紅 (Hu Lihong) (100%)	0.3	廣州廣保豐田汽車銷售服務有限公司 (Guangzhou Guangbao Toyota Motors Sale and Service Limited)	49% (Note iii)

Report of the Directors

Notes:

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

ii. 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.).

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

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

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

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

The independent non-executive Directors have reviewed the Contractual Arrangements and confirmed that (i) the terms of the subsisting Contractual Arrangements remained unchanged, (ii) the transactions carried out during the year remained consistent with the relevant provisions of the Contractual Arrangements as disclosed in the Prospectus, (iii) dividends declared by OPCOs for the year ended 31 December 2015 have been paid to the Company's relevant subsidiary and not to the Registered Owner(s) and (iv) no new Contractual Arrangement were 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 their letter containing their fact findings in respect of the conditions as set out in the Prospectus of DCH, 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.

Equity-Linked Arrangements

Save for the share option scheme of the Group as set out under the section headed "Share Option Scheme" of this report below, no equity-linked agreements were entered into the Group, or existed during the year.

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 1 March 2016, the maximum number of shares available for issue under the Scheme is 114,400,000, representing approximately 6.24% 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 share options had expired by the close of business on 6 July 2015.

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 1.4 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 3.3 years.

During the year ended 31 December 2015, none of the share options under the Scheme were cancelled, 140,000 share options under the Scheme were exercised and 8,850,000 share options have lapsed.

Report of the Directors

A summary of the movements of the share options under the Scheme during the year ended 31 December 2015 is as follows:

1. DCH Directors

Name of Director	Date of grant	Exercise period	Exercise price per share HK$	Number of share options: Balance as at 1.1.2015	Granted during the year ended 31.12.2015	Lapsed / cancelled during the year ended 31.12.2015	Exercised during the year ended 31.12.2015	Balance as at 31.12.2015	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	
				5,050,000				3,600,000	0.196%
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	
				2,900,000				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	
				2,750,000				2,200,000	0.120%
Wai King Fai, Francis	7.7.2010	7.7.2010 – 6.7.2015	4.766	800,000	–	800,000	–	–	
	8.6.2012	8.6.2013 – 7.6.2017	7.400	900,000	–	–	–	900,000	
	30.4.2014	30.4.2015 – 29.4.2019	4.930	900,000	–	–	–	900,000	
				2,600,000				1,800,000	0.098%

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 1.1.2015	Granted during the year ended 31.12.2015	Lapsed / cancelled during the year ended 31.12.2015	Exercised during the year ended 31.12.2015	Balance as at 31.12.2015	Approximate percentage to the number of issued shares
7.7.2010	7.7.2010 – 6.7.2015	4.766	2,340,000	–	2,300,000	40,000	–	–
8.6.2012	8.6.2013 – 7.6.2017	7.400	14,500,000 *(Note 1)*	–	1,000,000	–	13,500,000	0.737%
30.4.2014	30.4.2015 – 29.4.2019	4.930	21,100,000 *(Note 1)*	–	1,950,000	–	19,150,000	1.045%

3. Others *(Note 2)*

Date of grant	Exercise period	Exercise price per share HK$	Number of share options: Balance as at 1.1.2015	Granted during the year ended 31.12.2015	Lapsed / cancelled during the year ended 31.12.2015	Exercised during the year ended 31.12.2015	Balance as at 31.12.2015	Approximate percentage to the number of issued shares
7.7.2010	7.7.2010 – 6.7.2015	4.766	900,000	–	800,000	100,000	–	–
8.6.2012	8.6.2013 – 7.6.2017	7.400	3,450,000 *(Note 1)*	–	–	–	3,450,000	0.188%
30.4.2014	30.4.2015 – 29.4.2019	4.930	1,500,000 *(Note 1)*	–	–	–	1,500,000	0.082%

Notes:

1. 1,400,000 share options (granted on 8 June 2012) and 1,400,000 share options (granted on 30 April 2014) were reclassified and added to the opening balance in "Others" subsequent to certain employees having retired on 1 January 2015.

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

The weighted average closing price of the shares of DCH immediately before the dates on which the share options granted on 7 July 2010 were exercised was HK$5.06.

Update on Directors' Information

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

Mr. Zhang Jijing, the non-executive Chairman, has retired as an executive director of CITIC with effect from 24 December 2015.

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 2015 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	0.000003%

(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 headed "Share Option Scheme" of this report.

Report of the Directors

Save as disclosed above, as at 31 December 2015, 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 2015, the interests of the substantial shareholders, other than the Directors or their respective associate(s), in the shares of DCH as recorded in the register of interests in shares and short positions required to be kept under section 336 of the SFO were as follows:

Name	Number of shares of DCH	Approximate percentage to the number of issued shares
CITIC Group Corporation	1,027,307,000	56.07%
CITIC Limited	1,027,307,000	56.07%
CITIC Pacific Limited	1,027,307,000	56.07%
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%
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 direct wholly-owned subsidiary, CITIC Pacific.

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 32.53% and 25.60% of the issued shares of CITIC.

Report of the Directors

Share Issued

Details of the shares of DCH issued during the year are set out in note 26 to the financial statements.

Purchase, Sale or Redemption of Shares

DCH has not redeemed any of its shares during the year ended 31 December 2015. Neither DCH nor any of its subsidiary companies has purchased or sold any of DCH's shares during the year ended 31 December 2015.

Service Contracts

As at 31 December 2015, 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.

Permitted Indemnity Provision

A permitted indemnity provision for the benefit of the Directors is currently and was in force throughout the financial year. Pursuant to DCH's Articles of Association, every Director shall be entitled to be indemnified out of the assets of DCH against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto. DCH has arranged directors' and officers' liability insurance coverage for the Directors and officers of the Group.

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 2015.

By order of the Board
Zhang Jijing *Chairman*
Hong Kong, 1 March 2016

Independent Auditor's Report

Independent auditor's report to the members 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 77 to 151, which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement 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 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015 and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
1 March 2016

Consolidated Statement of Profit or Loss

For the year ended 31 December 2015

HK$ million	Note	2015	2014
Turnover	3	**44,803**	46,489
Cost of sales		**(39,565)**	(41,232)
Gross profit		**5,238**	5,257
Other income	5	**754**	911
Selling and distribution expenses		**(3,084)**	(2,922)
Administrative expenses		**(1,815)**	(1,841)
Profit from operations		**1,093**	1,405
Net gain on remeasurement of investment properties	13(a)	**18**	10
Wind down costs of manufacturing operation	7	**–**	(64)
Finance costs	6(a)	**(212)**	(268)
Share of profit after tax of associates	17	**23**	13
Share of profit / (loss) after tax of joint ventures	18	**12**	(2)
Profit before taxation	6	**934**	1,094
Income tax	8	**(286)**	(272)
Profit for the year		**648**	822
Attributable to:			
Shareholders of the Company		**570**	750
Non-controlling interests		**78**	72
		648	822
Basic and diluted earnings per share (HK cents)	12	**31.11**	40.94

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

HK$ million	Note	**2015**	2014
Profit for the year		**648**	822
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of entities outside Hong Kong:			
– subsidiaries		**(622)**	(82)
– associates and joint ventures		**(33)**	–
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	13(c)	**–**	7
Other comprehensive loss for the year, net of tax		**(655)**	(75)
Total comprehensive (loss) / income for the year		**(7)**	747
Attributable to:			
Shareholders of the Company		**(46)**	676
Non-controlling interests		**39**	71
		(7)	747

Consolidated Statement of Financial Position

At 31 December 2015

HK$ million	Note	2015	2014
Non-current assets			
Property, plant and equipment	13(a)	**3,485**	3,821
Investment properties	13(a)	**384**	374
Lease prepayments	14	**568**	551
Intangible assets	15	**861**	799
Goodwill	16	**636**	358
Interests in associates	17	**350**	350
Interests in joint ventures	18	**411**	415
Available-for-sale investments	19	**7**	8
Finance lease receivables	21	**48**	–
Deferred tax assets	25(a)	**115**	66
		6,865	6,742
Current assets			
Inventories	20(a)	**6,811**	8,723
Trade debtors and other receivables	21	**6,348**	6,668
Current tax recoverable		**24**	8
Cash and bank deposits	22	**1,110**	1,493
		14,293	16,892
Current liabilities			
Borrowings	23	**2,455**	5,402
Trade creditors and other payables	24	**4,575**	4,817
Current tax payable		**127**	147
		7,157	10,366
Net current assets		**7,136**	6,526
Total assets less current liabilities		**14,001**	13,268
Non-current liabilities			
Borrowings	23	**4,095**	3,259
Put option written on non-controlling interest	28(b)	**158**	–
Deferred tax liabilities	25(a)	**260**	246
		4,513	3,505
Net assets		**9,488**	9,763

Consolidated Statement of Financial Position (Continued)

At 31 December 2015

HK$ million	Note	2015	2014
Capital and reserves	26		
Share capital		**1,477**	1,477
Other reserves		**7,570**	7,845
Total equity attributable to shareholders of the Company		**9,047**	9,322
Non-controlling interests		**441**	441
Total equity		**9,488**	9,763

Approved and authorised for issue by the board of directors on 1 March 2016.

Zhang Jijing
Director

Yip Moon Tong
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

		Attributable to shareholders of the Company												
HK$ million	Note	Share capital (26(a))	Share premium (26(a))	General reserve (26(b))	Capital reserve (26(c))	Statutory surplus reserve (26(d))	Merger reserve (26(e))	Share option reserve (26(f))	Exchange fluctuation reserve (26(g))	Asset revaluation reserve (26(h))	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
Acquisition 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	26(a)	1,202	(1,202)	–	–	–	–	–	–	–	–	–	–	–
Transfer from retained profits		–	–	14	–	3	–	–	–	–	(17)	–	–	–
Dividends	11	–	–	–	–	–	–	–	–	–	(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

Consolidated Statement of Changes in Equity (Continued)

For the year ended 31 December 2015

HK$ million	Note	Attributable to shareholders of the Company											
		Share capital (26(a))	General reserve (26(b))	Capital reserve (26(c))	Statutory surplus reserve (26(d))	Merger reserve (26(e))	Share option reserve (26(f))	Exchange fluctuation reserve (26(g))	Asset revaluation reserve (26(h))	Retained profits	Total	Non-controlling interests	Total equity
At 1 January 2015		1,477	(47)	143	82	(43)	72	795	26	6,817	9,322	441	9,763
Profit for the year		–	–	–	–	–	–	–	–	570	570	67	637
Other comprehensive loss		–	–	–	–	–	–	(616)	–	–	(616)	(39)	(655)
Total comprehensive (loss) / income for the year		–	–	–	–	–	–	(616)	–	570	(46)	28	(18)
Acquisition of non-controlling interests	28(a)	–	(12)	–	–	–	–	–	–	–	(12)	5	(7)
Reclassification	26(b)*(iv)*	–	4	–	(4)	–	–	–	–	–	–	–	–
Share-based payments	6(b)	–	–	–	–	–	16	–	–	–	16	–	16
Lapse of share options		–	–	–	–	–	(10)	–	–	10	–	–	–
Transfer from retained profits		–	122	–	4	–	–	–	–	(126)	–	–	–
Dividends	11	–	–	–	–	–	–	–	–	(233)	(233)	–	(233)
Dividends to holders of non-controlling interests		–	–	–	–	–	–	–	–	–	–	(33)	(33)
At 31 December 2015		1,477	67	143	82	(43)	78	179	26	7,038	9,047	441	9,488

Consolidated Cash Flow Statement

For the year ended 31 December 2015

HK$ million	2015	2014
Operating activities		
Profit before taxation	**934**	1,094
Adjustments for		
– Net (gain) / loss on		
– remeasurement of investment properties	**(18)**	(10)
– disposal of asset held for sale	**–**	(97)
– disposal of lease prepayment	**–**	(5)
– disposal of property, plant and equipment	**1**	(2)
– disposal of subsidiaries	**1**	1
– disposal of available-for-sale investments	**(1)**	(3)
– Net provision / (reversal) of impairment losses on		
– property, plant and equipment	**3**	24
– intangible assets	**–**	4
– amounts due from joint ventures	**–**	25
– trade debtors and other receivables	**14**	(4)
– Depreciation and amortisation	**598**	573
– Finance costs	**212**	268
– Interest income	**(11)**	(16)
– Share of profit after tax of associates	**(23)**	(13)
– Share of (profit) / loss after tax of joint ventures	**(12)**	2
– Share-based payments	**16**	26
– Net fair value loss / (gain) on foreign currency forward contracts	**1**	(4)
– Foreign exchange loss / (gain)	**64**	(5)
Operating profit before changes in working capital	**1,779**	1,858
Decrease / (increase) in inventories	**1,739**	(2,485)
Decrease / (increase) in trade debtors and other receivables	**62**	(291)
(Decrease) / increase in trade creditors and other payables	**(176)**	294
Cash generated from / (used in) operations	**3,404**	(624)
Income tax paid	**(374)**	(195)
Net cash generated from / (used in) operating activities	**3,030**	(819)

Consolidated Cash Flow Statement (Continued)

For the year ended 31 December 2015

HK$ million	Note	2015	2014
Investing activities			
Payment for purchase of property, plant and equipment		**(588)**	(893)
Payment for lease prepayments		**(69)**	(40)
Payment for purchase of intangible assets		**–**	(21)
Proceeds from disposal of asset held for sale		**–**	242
Proceeds from disposal of property, plant and equipment		**200**	256
Proceeds from disposal of available-for-sale investments		**2**	3
Capital injection to associates	17	**–**	(58)
Net repayment to associates		**–**	(1)
Net repayment to joint ventures		**(13)**	(20)
Net cash outflow for business combinations	28	**(283)**	(44)
Net cash inflow from disposal of subsidiaries		**18**	–
Capital injection from holders of non-controlling interests		**–**	7
Interest received		**11**	16
Dividends received from an associate		**–**	40
Dividends received from joint ventures		**2**	–
Decrease in deposits with banks		**110**	3
Net cash used in investing activities		**(610)**	(510)
Financing activities			
Proceeds from bank and other loans drawdown		**9,552**	18,721
Repayment of bank and other loans		**(11,681)**	(17,429)
Net cash used in acquisition of non-controlling interests		**(7)**	(70)
Net (repayment to) / advance from holders of non-controlling interests		**(77)**	85
Interest paid		**(209)**	(267)
Dividends paid to shareholders of the Company		**(233)**	(366)
Dividends paid to holders of non-controlling interests		**(33)**	–
Net cash (used in) / generated from financing activities		**(2,688)**	674
Net decrease in cash and cash equivalents		**(268)**	(655)
Cash and cash equivalents at 1 January		**1,236**	1,907
Effect of foreign exchange rates changes		**(59)**	(16)
Cash and cash equivalents at 31 December	22	**909**	1,236

Notes to the Financial Statements

1. Significant Accounting Policies

(a) Basis of preparation

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

The measurement basis used in the preparation of the financial statements is the historical cost basis except as otherwise stated in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

(b) Changes in accounting policies

(i) Revised HKFRSs which are effective

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

– *Annual Improvements to HKFRSs 2010 – 2012 Cycle*

– *Annual Improvements to HKFRSs 2011 – 2013 Cycle*

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

(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 2015. These include the following which may be relevant to the Group:

– *Annual improvements to HKFRSs 2012 – 2014 cycle*

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

– *HKFRS 9, Financial Instruments*

– *HKFRS 15, Revenue from contracts with customers*

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs in the period of initial application. The adoption of them is unlikely to have a significant impact on the Group's results and financial position except for HKFRS 9 and HKFRS 15, which may possibly have impact on the Group's results and financial position.

Notes to the Financial Statements

1. Significant Accounting Policies (Continued)

(c) Subsidiaries and non-controlling interests

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

Intra-group balances, transactions and any unrealised profits and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated only to the extent that there is no evidence of impairment.

Non-controlling interests represent the portion of the net assets of subsidiaries not attributable directly or indirectly to the Group, and are presented in the consolidated statement of financial position 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 statement of profit or loss 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.

Non-controlling interests with a put option written by the Group to the holders of non-controlling interests on their equity interests in a subsidiary are classified as financial liabilities. The financial liabilities are recognised initially at fair value. The fair value is remeasured at the end of each reporting period, with any resultant gain or loss being recognised in the Group's other comprehensive income.

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 statement of financial position, interests 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 statement of profit or loss 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.

Notes to the Financial Statements

1. Significant Accounting Policies (Continued)

(f) Available-for-sale investments

Available-for-sale investments are initially stated at fair value. At the end of each reporting period 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 the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(h) Hedge of net investments in foreign operations

The portion of exchange differences arising from foreign currency borrowings which effectively hedge the net investment in a foreign operation is recognised in other comprehensive income and accumulated in equity under exchange fluctuation reserve until the disposal of the foreign operation, at which time the accumulated exchange difference is reclassified from equity to profit or loss. The ineffective portion is recognised immediately in profit or loss.

(i) 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 consolidated statement of financial position 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.

Notes to the Financial Statements

1. Significant Accounting Policies (Continued)

(j) Property, plant and equipment

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

Construction in progress represents property, plant and equipment under construction and is initially recognised in the consolidated statement of financial position 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.
- others are depreciated on a straight-line basis over their estimated useful lives of 3 to 20 years.

Both the useful life of a property, plant and equipment and its residual value, if any, are reviewed annually.

(k) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group with a finite estimated useful life are stated in the consolidated statement of financial position 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 consolidated statement of financial position 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.

Notes to the Financial Statements

1. Significant Accounting Policies (Continued)

(l) Leased assets

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as assets held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

– property held under an operating lease that would otherwise meet the definition of an investment property 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.

Where the Group is a lessor under finance leases, a receivable equal to the net investment in the lease is recognised as finance lease receivable, which is included in the consolidated statement of financial position as trade debtors and other receivables for current portion and as non-current assets for non-current portion. Impairment losses are accounted for in accordance with the accounting policy as set out in note 1m*(i)*.

Notes to the Financial Statements

1. Significant Accounting Policies (Continued)

(m) Impairment of assets

(i) Impairment of trade debtors and other receivables, finance lease receivables and available-for-sale investments

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

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

– For trade debtors and other receivables and finance lease 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 debtors and other receivables, whose recovery is considered doubtful but not remote. In this case, the provision for impairment of trade debtors and other receivables are recorded separately.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period 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.

Notes to the Financial Statements

1. Significant Accounting Policies (Continued)

(m) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

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.

(n) Inventories

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

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

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

When inventories are sold, the carrying amount of those inventories is recognised as cost of sales in the period in which the related revenue is recognised. The amount of write-down of inventories to net realisable value and all losses of inventories are recognised as cost of sales in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is offset against the cost of sales in the period in which the reversal occurs.

(o) 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 end of the reporting period. 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 end of the reporting period are recorded at the net amount of costs incurred plus recognised profit less recognised loss and progress billings.

(p) Trade debtors and other receivables

Trade debtors 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 debtors 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 debtors and other receivables.

Notes to the Financial Statements

1. Significant Accounting Policies (Continued)

(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 creditors and other payables

Trade creditors and other payables are initially recognised at fair value. Except for financial guarantee liabilities, trade creditors and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(s) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity from date of deposit. Bank overdrafts that are repayable on demand are also included as a component of cash and cash equivalents.

(t) Employee benefits

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

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement schemes and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The fair value of share options granted to employees of the Group is recognised as a staff cost with a corresponding increase in share option reserve within equity. The fair value is measured at the grant date using the Binomial Lattice Model, taking into account the terms and conditions upon which the options were granted.

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

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

Notes to the Financial Statements

1. Significant Accounting Policies (Continued)

(u) Income tax

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

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference or tax losses can be utilised.

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

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

(v) Financial guarantees issued, provisions and contingent liabilities

Financial guarantees are contracts that require the Group or the Company to make specified payments to reimburse the beneficiary of the guarantee for a loss caused by a specified debtor who 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 and motor yachts

Revenue arising from the sales of motor vehicles and motor yachts is recognised when the registration document is issued or on delivery of motor vehicles and motor yachts, 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.

Notes to the Financial Statements

1. Significant Accounting Policies (Continued)

(w) Revenue recognition (continued)

(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.

(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.

(xii) Interest income from finance lease

Interest income implicit in finance lease is recognised as interest income over the period of the leases so as to produce an approximately constant periodic rate of return on the outstanding balance of the receivables for each accounting period.

Notes to the Financial Statements

1. Significant Accounting Policies (Continued)

(x) Supplier rebate

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

(y) Borrowing costs

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

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

(z) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. 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 exchange differences arising from foreign currency borrowings used to hedge a net investment in a foreign operation are recognised in other comprehensive income or profit or loss (see note 1(h)).

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. Items in statement of financial position, including goodwill and fair value adjustments arising from acquisition, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange fluctuation reserve.

On disposal of an operation outside Hong Kong, the cumulative amount of the exchange differences recognised in equity which relate to that operation outside Hong Kong is included in the calculation of the gain or loss on disposal.

Notes to the Financial Statements

1. Significant Accounting Policies (Continued)

(aa) Related parties

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

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

(b) has significant influence over the Group; or

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

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

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

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

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

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

(e) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

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

(g) 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).

(h) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close family members of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(ab) Segment reporting

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

Notes to the Financial Statements

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 the end of each reporting period. Such valuations are based on certain assumptions (see Note 13(f)), 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 the end of each reporting period 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 debtors 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 the end of each reporting period to determine whether the inventories are carried at lower of cost and net realisable value. The net realisable value is 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

The Group has business combination 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 judgement 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 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.

An analysis of turnover by business segment is as follows:

HK$ million	**2015**	2014
Sales of motor vehicles, yachts, parts, accessories and motor services	**34,064**	36,012
Sales of food and consumer products and logistics services income	**10,709**	10,444
Revenue from other business	**30**	33
Total	**44,803**	46,489

Notes to the Financial Statements

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 related business, which includes operation of independent service outlets, original equipment parts trading, used car trading, motor leasing, sales of yachts, 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 is 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 2015**	**Motor and Motor Related Business** **Hong Kong & Macao**	**Mainland China**	**Other Markets**	**Sub-total**	**Food and Consumer Products Business** **Hong Kong & Macao**	**Mainland China**	**Other Markets**	**Sub-total**	**Other Business**	**Inter-segment elimination**	**Total**
Turnover from external customers	6,837	24,996	2,231	34,064	5,606	4,587	516	10,709	30	–	44,803
Inter-segment turnover	32	1	–	33	1	–	–	1	106	(140)	–
Segment Turnover	6,869	24,997	2,231	34,097	5,607	4,587	516	10,710	136	(140)	44,803
Segment result from operations	812	79	205	1,096	259	(69)	(11)	179	76	–	1,351
Share of profit after tax of associates	–	–	–	–	–	23	–	23	–	–	23
Share of profit after tax of joint ventures	–	6	–	6	–	–	–	–	6	–	12
Segment profit / (loss) before taxation	812	85	205	1,102	259	(46)	(11)	202	82	–	1,386
Segment income tax	(129)	(61)	(44)	(234)	(43)	(7)	(2)	(52)	(9)	–	(295)
Segment profit / (loss) after taxation	683	24	161	868	216	(53)	(13)	150	73	–	1,091

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	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

Notes to the Financial Statements

4. Segment Reporting (Continued)

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

HK$ million	Note	2015	2014
Segment profit after taxation		**1,091**	1,227
Net gain / (loss) on			
– remeasurement of investment properties		**18**	10
– disposal of asset held for sale	5	**–**	97
– disposal of lease prepayment	5	**–**	5
– disposal of subsidiaries	5	**(1)**	(1)
Amortisation of fair value adjustments on property, plant and equipment and intangible assets arising from business combinations		**(66)**	(50)
Net provision of impairment losses on			
– property, plant and equipment		**(3)**	(9)
– intangible assets	15	**–**	(4)
– amounts due from joint ventures	18	**–**	(25)
Loss on termination of lease		**–**	(26)
Net fair value (loss) / gain on foreign currency forward contracts	5	**(1)**	4
Net fair value loss on interest rate swaps and cross currency swap		**(3)**	(1)
Share-based payments	6(b)	**(16)**	(26)
Reversal of over-accrued supplier rebates		**(41)**	–
Wind down costs of manufacturing operation	7	**–**	(64)
Unallocated corporate expenses		**(339)**	(325)
Reconciliation items before taxation		**(452)**	(415)
Tax impact:			
Net tax effect on the above reconciliation items		**9**	10
Reconciliation items net of taxation		**(443)**	(405)
Profit for the year		**648**	822

4. Segment Reporting (Continued)

(c) Other segment information

The following table sets out other information by reportable segment:

	Motor and Motor Related Business				Food and Consumer Products Business					
HK$ million **Year ended 31 December 2015**	**Hong Kong & Macao**	**Mainland China**	**Other Markets**	**Sub-total**	**Hong Kong & Macao**	**Mainland China**	**Other Markets**	**Sub-total**	**Other Business**	**Total**
Segmental depreciation and amortisation	**78**	**301**	**23**	**402**	**36**	**65**	**1**	**102**	**13**	**517**
Segmental interest income	**1**	**44**	**–**	**45**	**–**	**2**	**–**	**2**	**1**	**48**
Segmental interest expense	**3**	**38**	**4**	**45**	**2**	**58**	**1**	**61**	**7**	**113**
Segmental write-down of inventories	**30**	**29**	**8**	**67**	**4**	**11**	**1**	**16**	**–**	**83**
Segmental reversal of write-down of inventories	**6**	**4**	**3**	**13**	**1**	**–**	**2**	**3**	**–**	**16**

	Motor and Motor Related Business				Food and Consumer Products Business					
HK$ million Year ended 31 December 2014	Hong Kong & Macao	Mainland China	Other Markets	Sub-total	Hong Kong & Macao	Mainland China	Other Markets	Sub-total	Other Business	Total
Segmental depreciation and amortisation	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

Notes to the Financial Statements

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	**2015**	2014	**2015**	2014
Hong Kong & Macao	**12,452**	11,947	**1,442**	1,033
Mainland China	**29,583**	31,812	**4,868**	5,202
Other Markets	**2,768**	2,730	**433**	433
Total	**44,803**	46,489	**6,743**	6,668

5. Other Income

HK$ million	**2015**	2014
Commission income	**369**	330
Handling and service charge income	**167**	173
Advertising and other subsidies from suppliers	**128**	123
Forfeited deposit from customers	**24**	41
Government subsidies	**18**	22
Interest income from bank deposits	**10**	15
Other interest income	**1**	1
Net gain on disposal of available-for-sale investments	**1**	3
Net gain on disposal of asset held for sale (Note)	**–**	97
Net gain on disposal of lease prepayment	**–**	5
Net (loss) / gain on disposal of property, plant and equipment	**(1)**	10
Net loss on disposal of subsidiaries	**(1)**	(1)
Net fair value (loss) / gain on foreign currency forward contracts	**(1)**	4
Net exchange (loss) / gain	**(12)**	7
Others	**51**	81
Total	**754**	911

Note:

In June 2014, the Group disposed of a property in Canada at a consideration of CAD17 million. After netting off related transaction expenses, a net gain of HK$97 million was recognised in the consolidated statement of profit or loss for the year ended 31 December 2014.

6. Profit Before Taxation

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

(a) Finance costs

HK$ million	2015	2014
Interest on bank advances and other borrowings	**212**	268

(b) Staff costs

HK$ million	2015	2014
Salaries, wages and other benefits	**2,944**	2,844
Contributions to defined contribution retirement schemes (Note)	**151**	140
Share-based payments (Note 27)	**16**	26
Total	**3,111**	3,010

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.

Notes to the Financial Statements

6. Profit Before Taxation (Continued)

(c) Other items

HK$ million	Note	2015	2014
Amortisation			
– lease prepayments	14	**15**	12
– intangible assets	15	**54**	41
Depreciation	13(a)	**529**	520
Write-down of inventories	20(b)	**83**	77
Reversal of write-down of inventories	20(b)	**(16)**	(38)
Reversal of over-accrued supplier rebates		**41**	–
Net provision / (reversal) of impairment losses on			
– property, plant and equipment	13(i)	**3**	24
– intangible assets	15	**–**	4
– amounts due from joint ventures	18	**–**	25
– trade debtors and other receivables		**14**	(4)
Net loss on realised foreign currency forward contracts		**7**	55
Auditors' remuneration			
– audit services		**18**	20
– tax services		**2**	3
– other services		**4**	3
Operating lease charges in respect of properties		**872**	745
Rental income from investment properties less direct outgoings of HK$12 million (2014: HK$14 million)		**(17)**	(17)

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 notes 6(b) and 6(c) for each of these types of expenses.

Notes to the Financial Statements

8. Income Tax

Hong Kong Profits Tax is calculated at 16.5% (2014: 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 statement of profit or loss represents:

HK$ million	**2015**	2014
Current tax – Hong Kong Profits Tax		
– Provision for the year	**176**	131
– Under / (over)-provision in previous years	**1**	(2)
	177	129
Current tax – Outside Hong Kong		
– Provision for the year	**156**	159
– Under-provision in previous years	**3**	1
	159	160
Deferred tax		
– Origination and reversal of temporary differences	**23**	11
– Recognition of deferred tax assets on tax losses	**(80)**	(41)
	(57)	(30)
Withholding tax	**7**	13
Total	**286**	272

Note:

Current tax recoverable and current tax payable in the consolidated statement of financial position are expected to be recovered / settled within one year.

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

HK$ million	**2015**	2014
Profit before taxation	**934**	1,094
Tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**151**	183
Tax effect of non-deductible expenses	**62**	67
Tax effect of non-taxable income	**(28)**	(41)
Tax effect of utilisation of previously unrecognised tax losses	**(30)**	(58)
Tax effect of recognition of previously unrecognised tax losses	**(31)**	(21)
Tax effect of unused tax losses not recognised	**151**	130
Withholding tax	**7**	13
Under / (over)-provision in previous years	**4**	(1)
Income tax charge	**286**	272

Notes to the Financial Statements

9. Directors' Emoluments

Directors' emoluments for the year ended 31 December 2015 are 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)*)	2015 Total	2014 Total
Executive directors								
Yip Moon Tong	–	4,746	7,500	457	12,703	1,227	13,930	16,443
Lau Sei Keung	–	3,167	5,600	306	9,073	988	10,061	11,104
Glenn Robert Sturrock Smith	–	2,671	1,850	130	4,651	750	5,401	6,399
Wai King Fai, Francis (Note *(ii)*)	–	2,976	1,660	18	4,654	613	5,267	5,935
Non-executive directors								
Zhang Jijing	–	–	–	–	–	–	–	–
Kwok Man Leung	–	–	–	–	–	–	–	–
Fei Yiping	–	–	–	–	–	–	–	–
Independent non-executive directors								
Cheung Kin Piu, Valiant	420	–	–	–	420	–	420	380
Hsu Hsung, Adolf	420	–	–	–	420	–	420	380
Yeung Yue Man	420	–	–	–	420	–	420	380
Chan Kay Cheung	420	–	–	–	420	–	420	380
Total	1,680	13,560	16,610	911	32,761	3,578	36,339	41,401

Notes:

(i) Details of the share option scheme are set out in note 27.

(ii) Mr. Wai King Fai, Francis, will retire as an executive director of the Company with effect from 10 May 2016.

Notes to the Financial Statements

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 years ended 31 December 2014 and 2015, four 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	2015	2014
Salaries, allowances and other benefits	**2,432**	3,579
Discretionary bonuses	**2,860**	3,280
Contributions to defined contribution retirement schemes	**119**	252
Share-based payments	**528**	1,113
Total	**5,939**	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$)	2015	2014
5,000,001 – 6,000,000	**–**	1
4,000,001 – 5,000,000	**2**	1
3,000,001 – 4,000,000	**3**	3
2,000,001 – 3,000,000	**6**	5
1,000,001 – 2,000,000	**–**	1
Below 1,000,001	**–**	1
Total	**11**	12

Notes to the Financial Statements

11. Dividends

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

HK$ million	**2015**	2014
Interim dividend declared and paid of 6.10 HK cents (2014: 9.30 HK cents) per share	**112**	170
Final dividend proposed after the end of the reporting period of 6.40 HK cents (2014: 6.60 HK cents) per share	**117**	121
Total	**229**	291

The final dividend proposed after the end of the reporting period has not been recognised as a liability at 31 December 2014 and 2015.

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

HK$ million	**2015**	2014
Final dividend approved and paid of 6.60 HK cents (2014: 10.72 HK cents) per share	**121**	196

12. 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$570 million (2014: HK$750 million) and the weighted average number of ordinary shares in issue during the year which is calculated as follows:

	Number of ordinary shares	
	2015	2014
Issued ordinary shares at 1 January	**1,831,993,000**	1,831,993,000
Effect of share options exercised	**88,767**	–
Weighted average number of ordinary shares	**1,832,081,767**	1,831,993,000

(b) Diluted earnings per share

The diluted earnings per share for the years ended 31 December 2014 and 2015 are the same as basic earnings per share as the potential ordinary shares in respect of outstanding share options are anti-dilutive.

Notes to the Financial Statements

13. Property, Plant and Equipment and Investment Properties

(a)

HK$ million	Note	Land and buildings held for own use	Construction in progress	Others	Sub-total	Investment properties	Total
		13(d)		13(e)		13(f)	
Cost or valuation:							
At 1 January 2015		**2,974**	**126**	**3,608**	**6,708**	**374**	**7,082**
Exchange adjustments		**(154)**	**(1)**	**(122)**	**(277)**	**(8)**	**(285)**
Additions		**51**	**67**	**464**	**582**	**–**	**582**
Business combination	28	**10**	**–**	**13**	**23**	**–**	**23**
Transfer to inventories	13(b)	**–**	**–**	**(48)**	**(48)**	**–**	**(48)**
Reclassification		**56**	**(110)**	**54**	**–**	**–**	**–**
Amortisation capitalised in construction in progress	14	**–**	**1**	**–**	**1**	**–**	**1**
Disposals		**–**	**(1)**	**(651)**	**(652)**	**–**	**(652)**
Disposal of a subsidiary		**(6)**	**–**	**(11)**	**(17)**	**–**	**(17)**
Net gain on remeasurement		**–**	**–**	**–**	**–**	**18**	**18**
At 31 December 2015		**2,931**	**82**	**3,307**	**6,320**	**384**	**6,704**
Representing:							
Cost		**2,931**	**82**	**3,307**	**6,320**	**–**	**6,320**
Valuation		**–**	**–**	**–**	**–**	**384**	**384**
At 31 December 2015		**2,931**	**82**	**3,307**	**6,320**	**384**	**6,704**
Accumulated depreciation and impairment:							
At 1 January 2015		**776**	**–**	**2,111**	**2,887**	**–**	**2,887**
Exchange adjustments		**(41)**	**–**	**(62)**	**(103)**	**–**	**(103)**
Business combination	28	**4**	**–**	**9**	**13**	**–**	**13**
Charge for the year	6(c)	**114**	**–**	**415**	**529**	**–**	**529**
Impairment loss	13(i)	**1**	**–**	**2**	**3**	**–**	**3**
Transfer to inventories	13(b)	**–**	**–**	**(39)**	**(39)**	**–**	**(39)**
Written back on disposals		**–**	**–**	**(451)**	**(451)**	**–**	**(451)**
Disposal of a subsidiary		**(1)**	**–**	**(3)**	**(4)**	**–**	**(4)**
At 31 December 2015		**853**	**–**	**1,982**	**2,835**	**–**	**2,835**
Net book value:							
At 31 December 2015		**2,078**	**82**	**1,325**	**3,485**	**384**	**3,869**

Notes to the Financial Statements

13. Property, Plant and Equipment and Investment Properties (Continued)

(a) (continued)

HK$ million	Note	Land and buildings held for own use	Construction in progress	Others	Sub-total	Investment properties	Total
	Note	13(d)		13(e)		13(f)	
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
Business combination		6	–	4	10	–	10
Transfer to inventories	13(b)	–	–	(39)	(39)	–	(39)
Transfer to investment properties	13(c)	(15)	–	–	(15)	28	13
Reclassification		227	(307)	80	–	–	–
Amortisation capitalised in construction in progress	14	–	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)
Business combination		3	–	3	6	–	6
Charge for the year	6(c)	103	–	417	520	–	520
Impairment loss	13(i)	–	–	24	24	–	24
Transfer to inventories	13(b)	–	–	(33)	(33)	–	(33)
Transfer to investment properties	13(c)	(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

(b) During the year ended 31 December 2015, certain motor vehicles with carrying amount of HK$9 million (2014: HK$6 million) were transferred to inventories when they ceased to be rented.

(c) 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 14) 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.

Notes to the Financial Statements

13. Property, Plant and Equipment and Investment Properties (Continued)

(d) The net book value of land and buildings held for own use under finance lease was HK$123 million at 31 December 2015 (2014: HK$127 million).

(e) Others mainly comprise cargo lighters, computer installations, motor vehicles, plants, machineries, furniture, fixtures and equipments.

(f) **Property valuation**

All investment properties were revalued at 31 December 2015 by the following independent valuers with recognised professional qualifications and relevant experience in the location and category of investment properties being revalued. The Group has discussed the valuation assumptions and valuation results with the valuers when the valuation is performed at the end of the reporting period.

Investment properties located in	Name of valuers
Hong Kong	Knight Frank Petty Limited
Mainland China	Knight Frank Petty Limited
Japan	Network Real Estate Appraisal Co Ltd

Fair value hierarchy

The fair value measurement of the Group's investment properties have been categorised into the three-level fair value hierarchy (Note 29(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 2015 falls into Level 3 and the movement during the year is as follows:

HK$ million	Hong Kong	Mainland China	Japan	Total
At 1 January 2014	42	69	255	366
Exchange adjustments	–	–	(30)	(30)
Transfer to Level 3 (Note 13(c))	–	28	–	28
Unrealised fair value gain (Note)	1	2	7	10
At 31 December 2014	43	99	232	374
At 1 January 2015	**43**	**99**	**232**	**374**
Exchange adjustments	**–**	**(5)**	**(3)**	**(8)**
Unrealised fair value gain (Note)	**3**	**2**	**13**	**18**
At 31 December 2015	**46**	**96**	**242**	**384**

Note:

The "unrealised fair value gain" for the years ended 31 December 2014 and 2015 was related to investment properties held by the Group at the end of the reporting period and was included in "net gain on remeasurement of investment properties" in the consolidated statement of profit or loss.

Notes to the Financial Statements

13. Property, Plant and Equipment and Investment Properties (Continued)

(f) 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 which 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 which estimates 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$15.6 – HK$90.4 (2014: HK$14.6 – HK$90.0)
		Capitalisation rate	*(ii)*	3.5% – 4.0% (2014: 3.5% – 4.0%)
Mainland China	Income Capitalisation Approach	Average market rent per sq. m. per month	*(i)*	RMB10.2 – RMB36.6 (2014: RMB10.0 – RMB36.5)
		Capitalisation rate	*(ii)*	7.0% – 9.0% (2014: 7.0% – 9.0%)
	Depreciated Replacement Cost Approach	Average unit price of land per sq. m.	*(i)*	RMB300 – RMB408 (2014: RMB290 – RMB395)
		Average construction cost per sq. m.	*(i)*	RMB170 – RMB463 (2014: RMB185 – RMB477)
Japan	Discounted Cash Flow Approach	Discount rate	*(ii)*	6.0% – 6.2% (2014: 6.0% – 6.2%)
	Direct Comparison Approach	Property-specific adjusting rate	*(i)*	0.9 – 1.2 (2014: 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

Notes to the Financial Statements

13. Property, Plant and Equipment and Investment Properties (Continued)

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

HK$ million	**2015**	2014
Investment properties		
In Hong Kong		
– Long term lease	**28**	26
– Medium term lease	**18**	17
Outside Hong Kong		
– Freehold properties	**242**	232
– Medium term lease	**96**	99
At 31 December	**384**	374

HK$ million	**2015**	2014
Land and buildings held for own use		
In Hong Kong		
– Long term lease	**63**	66
– Medium term lease	**218**	223
– Short term lease	**1**	1
Outside Hong Kong		
– Freehold properties	**60**	61
– Medium term lease	**1,483**	1,654
– Short term lease	**253**	193
At 31 December	**2,078**	2,198

(h) Certain buildings situated in mainland China and Taiwan with an aggregate net book value of HK$886 million at 31 December 2015 (2014: HK$951 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.

(i) During the year ended 31 December 2015, impairment losses of HK$1 million have been provided for certain property, plant and equipment under Food and Consumer Products Business based on their recoverable amounts. In 2014, the Group ceased production lines of an electrical appliances manufacturing operation (Note 7). As a result, impairment losses of HK$15 million had been provided for certain property, plant and equipment based on their recoverable amounts.

Apart from the above, impairment losses of HK$2 million (2014: HK$9 million) have been provided for property, plant and equipment under Motor and Motor Related Business with reference to their recoverable amounts.

The effect of discounting does not have a significant financial impact on all of the recoverable amounts.

Notes to the Financial Statements

13. Property, Plant and Equipment and Investment Properties (Continued)

(j) Property, plant and equipment and investment properties leased out under operating leases

The Group leases out various property, plant and equipment and investment properties 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 is receivable as follows:

HK$ million	**2015**	2014
Within 1 year	**122**	109
After 1 year but within 5 years	**116**	98
After 5 years	**42**	41
At 31 December	**280**	248

14. Lease Prepayments

HK$ million	**2015**	2014
Cost:		
At 1 January	**633**	608
Exchange adjustments	**(41)**	(3)
Additions	**69**	40
Disposals	**–**	(8)
Transfer to investment properties (Note 13(c))	**–**	(4)
At 31 December	**661**	633
Accumulated amortisation and impairment:		
At 1 January	**82**	71
Exchange adjustments	**(5)**	(1)
Charge for the year (Note 6(c))	**15**	12
Amortisation capitalised in construction in progress (Note 13(a))	**1**	2
Transfer to investment properties (Note 13(c))	**–**	(1)
Written back on disposals	**–**	(1)
At 31 December	**93**	82
Net book value:		
At 31 December	**568**	551

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

HK$ million	**2015**	2014
Outside Hong Kong – medium term lease	**568**	551

The lease prepayments represent cost of land use rights.

Notes to the Financial Statements

15. Intangible Assets

HK$ million	Car dealerships	Others (Note *(i)*)	Total
Cost:			
At 1 January 2015	**769**	**252**	**1,021**
Exchange adjustments	**(43)**	**(8)**	**(51)**
Business combination (Note 28)	**28**	**127**	**155**
At 31 December 2015	**754**	**371**	**1,125**
Accumulated amortisation and impairment:			
At 1 January 2015	**179**	**43**	**222**
Exchange adjustments	**(11)**	**(1)**	**(12)**
Charge for the year (Note *(ii)*) (Note 6(c))	**17**	**37**	**54**
At 31 December 2015	**185**	**79**	**264**
Net book value:			
At 31 December 2015	**569**	**292**	**861**

HK$ million	Car dealerships	Others (Note *(i)*)	Total
Cost:			
At 1 January 2014	756	141	897
Exchange adjustments	(2)	–	(2)
Business combination	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))	27	14	41
Impairment loss (Note 6(c))	4	–	4
At 31 December 2014	179	43	222
Net book value:			
At 31 December 2014	590	209	799

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 statement of profit or loss.

Notes to the Financial Statements

16. Goodwill

HK$ million	2015	2014
Cost:		
At 1 January	**390**	388
Exchange adjustments	**(4)**	–
Business combination (Note 28)	**282**	2
At 31 December	**668**	390
Accumulated impairment:		
At 1 January and 31 December	**32**	32
Carrying amount:		
At 31 December	**636**	358

Impairment tests for goodwill

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

HK$ million		2015	2014
Motor and Motor Related Business	– Mainland China	**152**	153
Food and Consumer Products Business	– Hong Kong & Macao	**481**	202
	– Mainland China	**3**	3
		636	358

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 13% to 16% (2014: 12% to 14%).

17. Interests in Associates

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)	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

Note:

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 and financial position. Aggregate financial information of associates that are individually immaterial is as follows:

HK$ million	**2015**	2014
Carrying amount in the consolidated financial statements	**350**	350
The Group's effective share of those associates':		
Profit for the year	**23**	13
Other comprehensive (loss) / income	**(21)**	1
Total comprehensive income	**2**	14

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.

Notes to the Financial Statements

18. Interests in Joint Ventures

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)	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)	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)	PRC	RMB19,220,000	50.00	Sales of used motor vehicles and provision of after sales services

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

18. Interests in Joint Ventures (Continued)

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

HK$ million	**2015**	2014
Carrying amount in the consolidated financial statements:		
– share of net assets and goodwill	**190**	191
– amounts due from joint ventures (Note)	**221**	224
The Group's effective share of those joint ventures':		
Profit / (loss) for the year	**12**	(2)
Other comprehensive loss	**(12)**	(1)
Total comprehensive loss	**–**	(3)

Note:

The amounts due from joint ventures are unsecured, not expected to be recoverable within one year and non-interest bearing, except for an amount of HK$60 million (2014: HK$51 million) which is interest bearing at 3% per annum as at 31 December 2014 and 2015.

The Group has set up several joint ventures with a joint venture partner to operate car dealerships and motor related businesses in southern China ("Joint Ventures"). Since late 2015, there have been several disputes between certain subsidiaries of the Group, the joint venture partner and certain Joint Ventures.

In December 2015, a subsidiary of the Group filed a court application to request settlement of RMB20 million (equivalent to HK$23.9 million) due from a Joint Venture. The directors of the Company believed that the amount was recoverable and no provision had to be made as at 31 December 2015. On the other hand, a Joint Venture made claims for settlement of rental disputes against certain subsidiaries of the Group amounting to RMB7.4 million (equivalent to HK$8.8 million). Based on management's estimate, the Group had made an appropriate accrual as at 31 December 2015.

The recoverability of the amounts due from joint ventures, apart from the amount mentioned above, had been assessed at the end of the reporting period. Based on the assessment, no impairment losses were recognised during the year ended 31 December 2015 (2014: HK$25 million).

19. Available-For-Sale Investments

HK$ million	**2015**	2014
Unlisted investments at 31 December	**7**	8

Notes to the Financial Statements

20. Inventories

(a) Inventories in the consolidated statement of financial position represent:

(i)

HK$ million	2015	2014
Finished goods	**6,763**	8,663
Raw materials	**47**	59
Work-in-progress	**1**	1
At 31 December	**6,811**	8,723

(ii)

HK$ million	2015	2014
Motor and Motor Related Business	**5,087**	6,914
Food and Consumer Products Business	**1,724**	1,809
At 31 December	**6,811**	8,723

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

HK$ million	2015	2014
Carrying amount of inventories sold	**37,713**	39,678
Write-down of inventories (Note 6(c))	**83**	77
Reversal of write-down of inventories (Note 6(c))	**(16)**	(38)
Total	**37,780**	39,717

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.

Notes to the Financial Statements

21. Trade Debtors and Other Receivables

HK$ million	Note	2015	2014
Trade debtors and bills receivable		**3,023**	3,016
Less: provision for impairment of trade debtors	21(b)	**(50)**	(55)
		2,973	2,961
Other receivables, deposits and prepayments		**3,337**	3,681
Finance lease receivables	21(d)	**75**	–
Gross amount due from customers for contract work	21(e)	**2**	8
Amount due from an intermediate holding company	21(f)	**–**	2
Amounts due from fellow subsidiaries	21(f)	**1**	1
Amounts due from associates	21(f)	**6**	5
Amounts due from joint ventures	21(f)	**–**	1
Derivative financial instruments		**2**	9
		6,396	6,668
Less: non-current finance lease receivables		**(48)**	–
At 31 December		**6,348**	6,668

Apart from certain trade debtors and other receivables at 31 December 2015 of HK$106 million (2014: HK$143 million), all the amounts of trade debtors and other receivables are expected to be recovered or recognised as expense within one year.

(a) Ageing analysis

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:

HK$ million	2015	2014
Within 3 months	**2,785**	2,795
More than 3 months but within 1 year	**141**	142
Over 1 year	**47**	24
At 31 December	**2,973**	2,961

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

Notes to the Financial Statements

21. Trade Debtors and Other Receivables (Continued)

(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:

HK$ million	**2015**	2014
At 1 January	**55**	59
Exchange adjustments	**(3)**	–
Impairment loss provided / (reversed)	**8**	(3)
Uncollectible amounts written off	**(10)**	(1)
At 31 December	**50**	55

(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.

Certain trade debtors with a carrying amount of HK$281 million at 31 December 2015 (2014: HK$222 million) were past due over one month at the end of the reporting period 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 is as follows:

HK$ million	**2015**	2014
Overdue for 1 to 3 months	**155**	128
Overdue for more than 3 months but within 1 year	**101**	75
Overdue over 1 year	**25**	19
At 31 December	**281**	222

(d) Finance lease receivables

Finance lease receivables mainly represent net investment in the leasing of motor vehicles under finance leases. The contracts run for an initial period of 1 to 8 years. The total minimum lease payments receivable under finance leases and their present values at 31 December 2015 are as follows:

HK$ million	**Present value of the minimum lease payments**	**Total minimum lease payments**
Within 1 year	27	32
After 1 year but within 5 years	47	51
After 5 years	1	1
Unrealised future income on finance leases	–	(9)
Net investment in finance leases	75	75

Notes to the Financial Statements

21. Trade Debtors and Other Receivables (Continued)

(e) Construction contracts

HK$ million	**2015**	2014
Contract costs incurred plus profits less losses	**121**	61
Progress billings	**(128)**	(60)
At 31 December	**(7)**	1
Representing:		
Gross amount due from customers for contract work	**2**	8
Gross amount due to customers for contract work (Note 24)	**(9)**	(7)
At 31 December	**(7)**	1

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

(f) The amounts due from an intermediate holding company, fellow subsidiaries, associates and joint ventures 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 2014 and 2015.

22. Cash and Cash Equivalents

The analysis of cash and cash equivalents is as follows:

HK$ million	Note	**2015**	2014
Cash and bank deposits		**1,110**	1,493
Less:			
Pledged deposits	23(d)	**(125)**	(250)
Bank overdrafts	23(b)	**(76)**	(7)
At 31 December		**909**	1,236

Included in cash and cash equivalents, HK$713 million (2014: HK$923 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.

Notes to the Financial Statements

23. Borrowings

HK$ million	Note	2015	2014
Bank loans	23(a) and (b)	**6,190**	8,354
Bank overdrafts	23(a) and (b)	**76**	7
Other loans	23(c)	**284**	300
At 31 December		**6,550**	8,661

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

HK$ million	2015	2014
Within 1 year or on demand	**2,171**	5,102
After 1 year but within 2 years	**1,484**	199
After 2 years but within 5 years	**2,611**	3,060
	4,095	3,259
At 31 December	**6,266**	8,361

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

HK$ million	Note	2015	2014
Bank overdrafts			
– unsecured	22	**76**	7
Bank loans			
– secured		**4**	310
– unsecured		**6,186**	8,044
		6,190	8,354
At 31 December		**6,266**	8,361

(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 years ended 31 December 2014 and 2015.

Notes to the Financial Statements

23. 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	**2015**	2014
Inventories		**195**	550
Bank deposits	22	**125**	250
Trade debtors and other receivables		**76**	77
Property, plant and equipment		**3**	–
At 31 December		**399**	877

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' financial 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 2014 and 2015, none of the covenants relating to drawn down facilities had been breached (Note 26(j)).

24. Trade Creditors and Other Payables

HK$ million	Note	**2015**	2014
Trade creditors and bills payable	24(a)	**1,389**	1,669
Other payables and accrued charges		**2,764**	2,709
Gross amount due to customers for contract work	21(e)	**9**	7
Amount due to a fellow subsidiary	24(b)	**1**	–
Amounts due to associates	24(b)	**42**	18
Amounts due to joint ventures	24(b)	**10**	9
Amounts due to holders of non-controlling interests	24(b)	**290**	352
Provision for product rectification	24(c)	**61**	43
Derivative financial instruments		**9**	10
At 31 December		**4,575**	4,817

Apart from certain trade creditors and other payables at 31 December 2015 of HK$108 million (2014: HK$89 million), all the amounts of trade creditors and other payables are expected to be settled or recognised as income within one year or are payable on demand.

Notes to the Financial Statements

24. Trade Creditors and Other Payables (Continued)

(a) The ageing analysis of trade creditors and bills payable based on due date is as follows:

HK$ million	2015	2014
Current or within 1 month	**1,343**	1,630
More than 1 month but within 3 months	**23**	20
More than 3 months but within 6 months	**5**	4
Over 6 months	**18**	15
At 31 December	**1,389**	1,669

(b) The amounts due to a fellow subsidiary, associates, joint ventures and holders of non-controlling interests are unsecured, non-interest bearing and repayable on demand, except for amounts due to holders of non-controlling interests of HK$23 million (2014: HK$33 million) which is interest bearing at 2% (2014: 2%) per annum and of HK$42 million (2014: HK$28 million) which is repayable after one year.

(c) **Provision for product rectification**

The movement of provision for product rectification is as follows:

HK$ million	2015	2014
At 1 January	**43**	41
Acquisition of a subsidiary	**3**	–
Additional provision made	**40**	28
Reversal of provision	**(3)**	(7)
Provision utilised	**(22)**	(19)
At 31 December	**61**	43

Under the terms of certain sales agreements with customers and service agreements with manufacturers, the Group agrees to rectify product defects within a period not more than five years from the date of sale. Provision is established to meet liabilities as they fall due and made based on the best estimates of the expected settlements under these agreements in respect of sales made prior to the end of the reporting period. The amount of provision takes into account the recent claim experience and provision is only made where it is probable that an outflow of resources will be required to settle the claim.

Notes to the Financial Statements

25. Deferred Tax Assets and Liabilities

(a) Deferred tax assets and liabilities recognised

The components of deferred tax (assets) / liabilities recognised in the consolidated statement of financial position 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 2014	51	113	54	(4)	(23)	22	213
Exchange adjustments	(3)	(1)	(5)	1	–	(1)	(9)
(Credited) / charged to the consolidated statement of profit or loss (Note 8(a))	(3)	(6)	2	25	(41)	(7)	(30)
Charged to other comprehensive income (Note 13(c))	–	–	6	–	–	–	6
At 31 December 2014	45	106	57	22	(64)	14	180
At 1 January 2015	**45**	**106**	**57**	**22**	**(64)**	**14**	**180**
Exchange adjustments	**–**	**(5)**	**(2)**	**(3)**	**4**	**–**	**(6)**
Business combination (Note 28)	**–**	**28**	**–**	**–**	**–**	**–**	**28**
Charged / (credited) to the consolidated statement of profit or loss (Note 8(a))	**2**	**(8)**	**4**	**24**	**(80)**	**1**	**(57)**
At 31 December 2015	**47**	**121**	**59**	**43**	**(140)**	**15**	**145**

Represented by:

HK$ million	2015	2014
Deferred tax assets	**(115)**	(66)
Deferred tax liabilities	**260**	246
	145	180

Notes to the Financial Statements

25. Deferred Tax Assets and Liabilities (Continued)

(b) Deferred tax assets not recognised

At 31 December 2015, the Group had not recognised deferred tax assets in respect of the cumulative tax losses of HK$2,269 million (2014: HK$1,974 million) as utilisation of these tax losses may not be probable. Tax losses in certain tax jurisdictions of HK$1,654 million (2014: HK$1,473 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 2015, there were temporary differences of HK$3,921 million (2014: HK$4,106 million) related to the undistributed profits of subsidiaries. Deferred tax liabilities of HK$196 million (2014: HK$206 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.

26. Capital and Reserves

(a) Share capital

	2015		2014	
	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**	**1,477**	1,832	275
Transition to no-par value (Note)	**–**	**–**	–	1,202
At 31 December	**1,832**	**1,477**	1,832	1,477

Note:

The new Hong Kong Companies Ordinance (Cap. 622) has come into effect on 3 March 2014. 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. These changes do not have an impact on the number of shares in issue or the relative entitlement of any of the shareholders.

26. Capital and Reserves (Continued)

(b) General reserve

(i) Pursuant to articles of association of certain subsidiaries 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 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 was transferred to retained profits upon payment of dividend from a subsidiary in Japan.

(iv) During the year ended 31 December 2015, statutory surplus reserve of HK$4 million (2014: nil) was transferred to general reserve following a subsidiary changed from a domestic enterprise to a wholly foreign owned enterprise.

(c) Capital reserve

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

(d) 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.

(e) 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.

(f) 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.

(g) 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 as well as the effective portion of any foreign exchange differences arising from hedge of the net investment in a foreign operation (notes 1(h) and 1(z)).

(h) Asset revaluation reserve

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

Notes to the Financial Statements

26. Capital and Reserves (Continued)

(i) Distributable reserves

The distributable reserves of the Company at 31 December 2015 were HK$3,284 million (2014: HK$2,839 million).

(j) 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 which 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 2014 and 2015 are as follows:

HK$ million	Note	**2015**	2014
Total borrowings	23	**6,550**	8,661
Less: cash and bank deposits	22	**(1,110)**	(1,493)
Net debt		**5,440**	7,168
Shareholders' funds		**9,047**	9,322
Total capital		**14,487**	16,490
Net gearing ratio		**37.6%**	43.5%

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 and 2015, the Group had complied with all of the above financial covenants.

Notes to the Financial Statements

27. 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** HK$	**Number of share options outstanding at 31 December** **2015**	2014
7 July 2010	*(i)*	23,400,000	4.766	**–**	6,040,000
8 June 2012	*(ii)*	24,450,000	7.400	**22,200,000**	23,200,000
30 April 2014	*(iii)*	28,200,000	4.930	**25,900,000**	27,850,000

Notes:

(i) Share options were fully vested on the date of grant. All the outstanding share options had expired and lapsed by the close of business on 6 July 2015.

(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 are 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 are vested in three batches with 25%, 25% and 50% of the share options granted, respectively, on the first, second and third anniversary of the date of grant.

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

	2015		2014	
	Weighted average exercise price per share HK$	**Number of share options ('000)**	Weighted average exercise price per share HK$	Number of share options ('000)
Outstanding at 1 January	**5.916**	**57,090**	6.859	29,890
Granted during the year	**–**	**–**	4.930	27,850
Exercised during the year	**4.766**	**(140)**	–	–
Lapsed during the year	**5.100**	**(8,850)**	6.995	(650)
Outstanding at 31 December	**6.070**	**48,100**	5.916	57,090
Exercisable at 31 December	**6.770**	**29,800**	6.539	18,765

The weighted average share price at the date of exercise of the share options during 2015 was HK$5.059.

The share options outstanding at 31 December 2015 are with a weighted average remaining life of 2.5 years (2014: 3.2 years).

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.

Notes to the Financial Statements

28. Business Combination

The acquisitions completed during the year ended 31 December 2015 had the following effect on the Group's assets and liabilities on their respective dates of acquisition:

HK$ million	Motor and Motor Related Business Note 28(a)	Food and Consumer Products Business Note 28(b)	Total
Property, plant and equipment (Note 13(a))	8	2	10
Intangible assets (Note 15)	28	127	155
Inventories	9	110	119
Trade debtors and other receivables	12	63	75
Current tax recoverable	–	1	1
Cash and bank deposits	34	13	47
Borrowings	(6)	–	(6)
Trade creditors and other payables	(46)	(111)	(157)
Deferred tax liabilities (Note 25(a))	(7)	(21)	(28)
Fair value of net assets acquired	**32**	**184**	**216**
Put option written on non-controlling interest	–	(158)	(158)
Goodwill (Note 16)	3	279	282
Total consideration	35	305	340
Less: consideration payable	–	(10)	(10)
Less: cash acquired	(34)	(13)	(47)
Net cash outflow	**1**	**282**	**283**

(a) During the year, the Group has completed an acquisition of a subsidiary and an acquisition of non-controlling interests, which are also engaged in the PRC motor vehicle dealership business. Since they are relatively immaterial to the Group's results and financial position, both individually and in aggregate, details of these acquisitions are not disclosed.

(b) On 31 January 2015, the Group acquired 70% equity interest in Gilman Group Limited and Leader Synergy Limited (collectively known as "Gilman Group") at a total consideration of HK$305 million, including a contingent consideration payable of HK$10 million. Gilman Group is engaged in distribution of electrical and home appliances in Hong Kong, mainland China, Macao and other Asian countries.

A put option was granted to the seller of Gilman Group upon completion, for the right to oblige the Group to purchase the remaining 30% equity interest. The put option is exercisable from the third to the fifth anniversary of the completion date on 31 January 2015. The fair value of such put option written on non-controlling interest at 31 December 2015 is HK$158 million.

The turnover and profit after tax contributed by Gilman Group from the date of acquisition to 31 December 2015 were HK$427 million and HK$36 million respectively.

28. Business Combination (Continued)

(b) (continued)

If the acquisition of Gilman Group had occurred on 1 January 2015, the Group's turnover and profit after tax for the year would have been approximately HK$44,832 million and HK$647 million respectively. These amounts have been calculated by adopting the Group's accounting policies and adjusting the results of the relevant subsidiaries to reflect the additional amortisation that would have been charged assuming the fair value adjustments to intangible assets had been applied from 1 January 2015, together with the consequential tax effects.

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

29. 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 debtors 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 debtors 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 31, the Group does not provide any other guarantee which would expose the Group 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.

Notes to the Financial Statements

29. Financial Risk Management and Fair Values (Continued)

(b) Liquidity risk (continued)

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

The table below analyses the Group's financial liabilities that will be settled based on the remaining periods at the end of the reporting period 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 end of the reporting period):

2015

HK$ million	Within 1 year or on demand	More than 1 year but within 2 years	More than 2 years but within 5 years	Over 5 years	Total
Borrowings	(2,591)	(1,596)	(2,719)	–	(6,906)
Trade creditors and other payables	(3,157)	(2)	(100)	(6)	(3,265)
Put option written on non-controlling interest	–	–	(158)	–	(158)
	(5,748)	(1,598)	(2,977)	(6)	(10,329)
Derivatives settled gross:					
Foreign currency forward contracts					
– outflow	(350)	–	–	–	(350)
– inflow	348	–	–	–	348
	(2)	–	–	–	(2)
Financial guarantees issued:					
Maximum amount guaranteed (Note 31(a))	(18)	(8)	–	–	(26)

29. Financial Risk Management and Fair Values (Continued)

(b) Liquidity risk (continued)

2014

HK$ million	Within 1 year or on demand	More than 1 year but within 2 years	More than 2 years but within 5 years	Total
Borrowings	(5,570)	(295)	(3,220)	(9,085)
Trade creditors and other payables	(3,296)	(1)	(88)	(3,385)
	(8,866)	(296)	(3,308)	(12,470)
Derivatives settled gross:				
Foreign currency forward contracts				
– outflow	(343)	–	–	(343)
– inflow	343	–	–	343
Cross currency swap				
– outflow	(249)	–	–	(249)
– inflow	250	–	–	250
	1	–	–	1
Financial guarantees issued:				
Maximum amount guaranteed (Note 31(a))	(2)	(2)	(9)	(13)

(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 2015, the Group had outstanding interest rate swaps with a notional contract amount of HK$1,720 million (2014: HK$2,000 million) to reduce the impact of interest rate fluctuation on the unsecured bank borrowings. The swaps will mature within 2016 to 2018 (2014: within 2015 to 2017) and have effective interest rates ranging from 2.66% to 3.59% per annum (2014: 2.61% to 3.47% per annum).

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 exposures of an unsecured bank borrowing which is denominated in Australian Dollars. The cross currency swap has matured in 2015.

At 31 December 2015, the Group recognised the fair value of outstanding interest rate swaps of HK$6 million liabilities (2014: HK$1 million liabilities) as derivative financial instruments.

Notes to the Financial Statements

29. Financial Risk Management and Fair Values (Continued)

(c) Interest rate risk (continued)

Sensitivity analysis

At 31 December 2015, 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$29 million (2014: HK$35 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 end of the reporting period 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 2014.

(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 end of the reporting period. At 31 December 2015, the Group had foreign currency forward contracts hedging forecast transactions with a fair value of HK$1 million liabilities (2014: HK$2 million assets) recognised as derivative financial instruments.

Except for the borrowings designated to hedge the net investment in a foreign operation (as described below), bank borrowings are generally matched with the functional currency of each operating entity. Given these, management does not expect any significant foreign currency risk associated with the Group's borrowings.

Certain bank borrowings denominated in Japanese Yen are designated as a hedge of the net investment in a subsidiary in Japan. The carrying amount and the fair value of these bank borrowings at 31 December 2015 was HK$206 million (2014: nil).

29. Financial Risk Management and Fair Values (Continued)

(d) Currency risk (continued)

The following table details the Group's exposure at the end of the reporting period 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, except the exposure arising from the bank borrowings that are designated as a hedge of the net investment in a foreign operation is excluded.

2015

in million	United States dollars	Renminbi	Euros	Japanese Yen	Pound Sterling	Hong Kong dollars
Trade debtors and other receivables	**1**	**41**	**–**	**19**	**–**	**9**
Cash and bank deposits	**4**	**2**	**–**	**265**	**–**	**56**
Borrowings	**(81)**	**(150)**	**(5)**	**–**	**–**	**(22)**
Trade creditors and other payables	**(17)**	**–**	**(2)**	**(228)**	**(1)**	**(65)**
Net exposure arising from recognised assets and liabilities	**(93)**	**(107)**	**(7)**	**56**	**(1)**	**(22)**
Highly probable forecast purchases	**(8)**	**–**	**(20)**	**(5,421)**	**(2)**	**–**
Highly probable forecast sales	**–**	**–**	**1**	**25**	**–**	**–**
Foreign currency forward contracts	**8**	**–**	**16**	**114**	**1**	**–**
Net exposure arising from forecast transactions	**–**	**–**	**(3)**	**(5,282)**	**(1)**	**–**
Overall net exposure	**(93)**	**(107)**	**(10)**	**(5,226)**	**(2)**	**(22)**

2014

in million	United States dollars	Renminbi	Euros	Japanese Yen	Pound Sterling	Hong Kong dollars
Trade debtors and other receivables	–	36	–	23	–	24
Cash and bank deposits	3	3	1	297	–	72
Borrowings	(98)	–	(2)	–	–	(42)
Trade creditors 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

Notes to the Financial Statements

29. Financial Risk Management and Fair Values (Continued)

(d) Currency risk (continued)

Sensitivity analysis

The following table indicates the positive / (negative) effect on 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 end of the reporting period:

HK$ million	**2015**	2014
Renminbi	**(6)**	2
Euros	**(3)**	(2)
Japanese Yen	**(14)**	(19)
Pound Sterling	**(1)**	(4)

The sensitivity analysis above has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period 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 end of the reporting period for presentation purposes. The analysis is performed on the same basis for 2014.

(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 *Fair Value Measurement*, 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 2015, the outstanding foreign currency forward contracts and interest rate swaps of the Group fall into Level 2, while the put option written on non-controlling interest arising from acquisition of Gilman Group (Note 28(b)) falls into Level 3 and there was no transfer between levels during the year.

At 31 December 2014, the outstanding foreign currency forward contracts, interest rate swaps and cross currency swap of the Group fall into Level 2.

29. Financial Risk Management and Fair Values (Continued)

(e) Fair value (continued)

(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 put option written on non-controlling interest. All financial instruments are carried at amounts not materially different from their fair values at 31 December 2014 and 2015 except for the amounts due from / to 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 end of the reporting period.

The fair values of interest rate swaps are the estimated amount that the Group would receive or pay to terminate the swaps at the end of the reporting period, taking into account current interest rates and the current creditworthiness of the swap counter parties.

The fair value of put option written on non-controlling interest is an estimated amount of the put option exercise price which is calculated pursuant to the terms of the share purchase agreement for acquisition of Gilman Group. The fair value measurement requires estimation of post-acquisition profits of Gilman Group and judgement on time value of money. The estimated sales growth rates and change in gross profit margin are the significant unobservable inputs used in fair value measurement. The estimated sales growth rates range from 3.6% to 8.5% per annum and no change is expected on the gross profit margin. The fair value measurement is positively correlated to the sales growth rates and the change in gross profit margin of Gilman Group.

30. Commitment

(a) Capital commitments

Capital commitments outstanding at the end of the reporting period not provided for in the financial statements are as follows:

HK$ million	**2015**	2014
Contracted for		
– Capital expenditures	**95**	127
– Others	**1**	1
At 31 December	**96**	128
Authorised but not contracted for		
– Capital expenditures	**241**	347
– Others	**–**	44
At 31 December	**241**	391

Notes to the Financial Statements

30. Commitment (Continued)

(b) Operating lease commitments

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

HK$ million	**2015**	2014
Within 1 year	**693**	553
After 1 year but within 5 years	**1,268**	1,089
After 5 years	**1,182**	1,435
At 31 December	**3,143**	3,077

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

31. Contingent Liabilities

(a) The Group has issued the following guarantees to banks in respect of banking facilities granted to and utilised by an associate:

	2015		2014	
HK$ million	**Granted**	**Utilised**	Granted	Utilised
At 31 December	**75**	**26**	16	13

(b) At the end of the reporting period, a subsidiary has issued a guarantee of EUR1.2 million (2014: EUR1.2 million) to a trade creditor of an associate.

(c) At the end of the reporting period, 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.

32. 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	**2015**	2014
Purchases from associates	**309**	299
Rental expenses to fellow subsidiaries	**198**	170

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.

32. Material Related Party Transactions (Continued)

(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 30(b), 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:

HK$ million	**2015**	2014
Within 1 year	**210**	74
After 1 year but within 5 years	**290**	2
At 31 December	**500**	76

(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.

33. Holding Companies

At 31 December 2015, 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.

Notes to the Financial Statements

34. Company-Level Statement of Financial Position

At 31 December 2015

HK$ million	Note	**2015**	2014
Non-current assets			
Interests in subsidiaries	36	**8,581**	7,164
		8,581	7,164
Current assets			
Other receivables, deposits and prepayments		**–**	3
Amounts due from subsidiaries		**838**	2,219
Cash and bank deposits		**14**	14
		852	2,236
Current liabilities			
Borrowings		**409**	1,681
Other payables and accrued charges		**20**	22
Amounts due to subsidiaries		**313**	296
Derivative financial instruments		**6**	3
		748	2,002
Net current assets		**104**	234
Total assets less current liabilities		**8,685**	7,398
Non-current liabilities			
Borrowings		**3,846**	3,010
		3,846	3,010
Net assets		**4,839**	4,388
Capital and reserves	34(a)		
Share capital		**1,477**	1,477
Other reserves		**3,362**	2,911
Total equity		**4,839**	4,388

Approved and authorised for issue by the board of directors on 1 March 2016.

Zhang Jijing
Director

Yip Moon Tong
Director

34. Company-Level Statement of Financial Position (Continued)

(a) Movements in components of equity

The components of the Company's equity and the movements during the year are as follows:

HK$ million	Note	Share capital	Share premium	Share option reserve	Retained profits	Total
		(26(a))	(26(a))	(26(f))		
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	26(a)	1,202	(1,202)	–	–	–
Share-based payments	6(b)	–	–	26	–	26
Lapse of share options		–	–	(1)	1	–
Dividends	11	–	–	–	(366)	(366)
At 31 December 2014		1,477	–	72	2,839	4,388
At 1 January 2015		**1,477**	**–**	**72**	**2,839**	**4,388**
Total comprehensive income for the year		**–**	**–**	**–**	**668**	**668**
Share-based payments	6(b)	**–**	**–**	**16**	**–**	**16**
Lapse of share options		**–**	**–**	**(10)**	**10**	**–**
Dividends	11	**–**	**–**	**–**	**(233)**	**(233)**
At 31 December 2015		**1,477**	**–**	**78**	**3,284**	**4,839**

35. Comparative Figures

Certain comparative figures, including the classification of current tax payable and deferred tax liabilities, have been reclassified to conform to the current year's presentation.

Notes to the Financial Statements

36. Details of Principal Subsidiaries

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

Name of subsidiaries	Note	Place of incorporation / establishment / operation	Issued share capital / paid-up capital	Effective percentage of equity interest held by the Company		Principal activities
				Directly	Indirectly	
Bayern Gourmet Food Company Limited		Hong Kong	HK$3,000,000	–	100	Food processing and trading
Consolidated Parts & Accessories Sales Centre Limited		Hong Kong	HK$100,000	–	100	Sales of accessories, spare parts and related products for motor vehicle and provision of installation service
Dah Chong Hong (China) Limited		Hong Kong	HK$100,000	100	–	Investment holding and provision of management services
Dah Chong Hong Industrial Machinery Company Limited		Hong Kong	HK$16,340,000	–	100	Trading of power products and provision of repair 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 Motors (Binli) Limited		Hong Kong	HK$2	–	100	Motor vehicle dealer
Dah Chong Hong Motors (China) Limited		Hong Kong	HK$40,000,000	–	100	Investment holding
Dah Chong Hong (Motor Leasing) Limited		Hong Kong	HK$100,000	–	100	Motor leasing
Dah Chong Hong (Motor Service Centre) Limited		Hong Kong	HK$200,000	–	100	Motor vehicle repairing service and spare parts trading
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
Gilman Group Limited		Hong Kong	HK$78,505,000	–	70	Trading of electrical appliances and provision of after sales services

Notes to the Financial Statements

36. Details of Principal Subsidiaries (Continued)

Name of subsidiaries	Note	Place of incorporation / establishment / operation	Issued share capital / paid-up capital	Effective percentage of equity interest held by the Company		Principal activities
				Directly	Indirectly	
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	Sales of accessories and motor parts
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
Princess Yachts Greater China Limited		Hong Kong	HK$10,000	–	70	Sales and distribution of motor yachts and provision of after-sales services
Regal Motors, Limited		Hong Kong	HK$200,000	–	100	Motor vehicle distributor
Reliance Motors, Limited		Hong Kong	HK$3,000,000	–	100	Motor vehicle distributor
Shanghai DCH Food Industries Ltd.	*(i)*	PRC	US$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
Sims Trading Company Limited		Hong Kong	HK$300,000	–	100	Wholesaling and distribution of fast moving consumer goods
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

Notes to the Financial Statements

36. Details of Principal Subsidiaries (Continued)

Name of subsidiaries	Note	Place of incorporation / establishment / operation	Issued share capital / paid-up capital	Effective percentage of equity interest held by the Company: Directly	Effective percentage of equity interest held by the Company: Indirectly	Principal activities
Triangle Motors (Macau) Limited		Hong Kong	HK$20	–	100	Distribution of motor vehicles and accessories
Triangle Motor Sales And Services (China) Co., Ltd.	*(i)*	PRC	RMB150,000,000	–	100	Motor vehicle 4S shop and trading of imported parts
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
大昌行融資租賃(上海)有限公司 (Dah Chong Hong Finance Lease (Shanghai) Company Limited)	*(vii)*	PRC	RMB170,000,000	–	100	Motor leasing and finance leasing service
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

Notes to the Financial Statements

36. Details of Principal Subsidiaries (Continued)

Name of subsidiaries	Note	Place of incorporation / establishment / operation	Issued share capital / paid-up capital	Effective percentage of equity interest held by the Company		Principal activities
				Directly	Indirectly	
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
上海大昌行經貿有限公司 (Shanghai Dah Chong Hong Trading Ltd.)	*(vii)*	PRC	RMB53,300,000	–	100	Food trading and distribution
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	RMB212,000,000	–	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
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

Notes to the Financial Statements

36. Details of Principal Subsidiaries (Continued)

Name of subsidiaries	Note	Place of incorporation / establishment / operation	Issued share capital / paid-up capital	Effective percentage of equity interest held by the Company: Directly	Effective percentage of equity interest held by the Company: Indirectly	Principal activities
深圳市增特汽車貿易有限公司 (Shenzhen City Zengte Car Trading Co., Ltd.)	*(vii)*	PRC	RMB75,500,000	–	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	RMB90,000,000	–	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
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	RMB225,000,000	–	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

Notes to the Financial Statements

36. Details of Principal Subsidiaries (Continued)

Notes:

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

(ii) The equity interests of this entity are held by a PRC company which has the legal capacity under the regulations to be shareholder 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 or PRC companies 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.

Major Properties Held by the Group

As at 31 December 2015

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
5. Haiwang Hatchery Plant at Haiwang Village, Huinan Town, Pudong New District, Shanghai, The People's Republic of China	2048	100	2,053	Industrial

Major Properties Held by the Group

As at 31 December 2015

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

Major Properties Held by the Group

As at 31 December 2015

Address / Lot no.	Leasehold expiry	Group's interest %	Approximate gross floor area / Approximate saleable area* (sq. m.)	Existing use
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 2015

Address / Lot no.	Leasehold expiry	Group's interest %	Approximate gross floor area / Approximate saleable area* (sq. m.)	Existing use
Major Properties Held For Owner-occupation				
1. 1st Floor, Front Portion, 11 Mok Cheong Street, Tokwawan, Kowloon, Hong Kong Situated within KIL No. 7630	2027	100	220*	Storage
2. Kiu Tau Wai, Ping Shan, Yuen Long, New Territories, Hong Kong Lot No. 423 in DD127	2059	100	9,489	Motor service centre
3. 377 Carparking Spaces (Carparking Spaces Nos. 8001 to 8125 on 8th Floor, Carparking Spaces Nos. 9001 to 9125 on 9th Floor and Carparking Spaces Nos. R001 to R127 on roof), Commercial and Garage Block, Richland Gardens, 80 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong 627 / 106,352nd shares of and in NKIL No. 5928	2047	100	377 car parking spaces	Car parking
4. Shops Nos. 1 and 2 on Ground Floor, Siu Man Court, 7, 7A and 9 Fort Street, North Point, Hong Kong 51 / 543rd shares of and in the Remaining Portions of Sections P and Q of IL No. 2366 and the Extension thereto	2072	100	213*	Shop

Major Properties Held by the Group

As at 31 December 2015

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

Major Properties Held by the Group

As at 31 December 2015

Address / Lot no.	Leasehold expiry	Group's interest %	Approximate gross floor area / Approximate saleable area* (sq. m.)	Existing use
9. Lot No. 2014–11, West of Huan Dao West Road, Hengqin New Area, Zhuhai City, Guangdong Province, The People's Republic of China	2065	100	25,000 (land)	Site for logistics centre
10. 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
11. Lot T7–3, No. 19, Yingang Avenue, Jinguzhou, Huicheng, Xinhui District, Jiangmen, Guangdong Province, The People's Republic of China	2054	100	12,678	Food processing and warehouse
12. Lot T7–5, No. 6, Jiangyu Road and No. 28 Yinzhou Avenue, Jinguzhou, Huicheng, Xinhui District, Jiangmen, Guangdong Province, The People's Republic of China	2054	100	17,715	Food processing, warehouse and office
13. Lot T7–6, No. 28, Yinzhou Avenue, Huicheng, Xinhui District, Jiangmen, Guangdong Province, The People's Republic of China	2054	100	8,378	Warehouse

Major Properties Held by the Group

As at 31 December 2015

Address / Lot no.	Leasehold expiry	Group's interest %	Approximate gross floor area / Approximate saleable area* (sq. m.)	Existing use
14. Lot No. T7–2, Lingang Industrial District, Jinguzhou Economic Development Experimental Zone, No. 21, Yingang Avenue, Xinhui District, Jiangmen, Guangdong Province, The People's Republic of China	2055	100	6,859	Cold storage, warehouse and food processing centre
15. Lot No. T–10–2, Lingang Industrial District, Jinguzhou Economic Development Experimental Zone, No. 2 Fuhui Road Zhi Yi, Xinhui District, Jiangmen, Guangdong Province, The People's Republic of China	2055	100	49,079	Partially developed with logistics centre
16. Lot No. T–10–2, No. 2 Fuhui Road Zhi Yi, Xinhui District, Jiangmen, Guangdong Province, The People's Republic of China	2055	100	9,995	Warehouse
17. Lot No. T18, Lingang Industrial District, Jinguzhou Economic Development Experimental Zone, Xinhui District, Jiangmen, Guangdong Province, The People's Republic of China	2055	100	10,179	Industrial
18. No. 51 Wanbao South Street, Zhong Cun Jie, Panyu District, Guangzhou City, Guangdong Province, The People's Republic of China	2046	100	6,939	Cold storage and office

Major Properties Held by the Group

As at 31 December 2015

Address / Lot no.	Leasehold expiry	Group's interest %	Approximate gross floor area / Approximate saleable area* (sq. m.)	Existing use
19. No. 522 Bailong Road, Yunshan Village, Jinma Town, Guandu District, Kunming, Yunnan Province, The People's Republic of China	2045	100	6,961	4S shop
20. No. 258 Nangang Gong Road, Huinan Town, Pudong New District, Shanghai, The People's Republic of China	2048	100	9,696	Office
21. 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
22. 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
23. 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
24. (7 Kilometers North of RT-Mart) No. 998 Huchong Road, Kan Dun Jie Dao, Ci Xi City, Ningbo, Zhejiang Province, The People's Republic of China	2049	50	9,595	4S shop

Major Properties Held by the Group

As at 31 December 2015

Address / Lot no.	Leasehold expiry	Group's interest %	Approximate gross floor area / Approximate saleable area* (sq. m.)	Existing use
25. 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
26. Land No. 712–2, Zi Wu Road, Qu Jing City, Yunnan Province, The People's Republic of China	2047	100	3,900	4S shop
27. 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
28. 9 and 11 She, Lijiatuo, Chi Lung Chuen, Banan District, Chongqing, The People's Republic of China	2047	100	16,904	4S shop
29. Long Huang Qiao 320 State Road Shuangqing District Shaoyang Hunan Province, The People's Republic of China	2051	100	7,762	4S Shop
30. Level 6, No. 1265 Chang De Road, Putuo District, Shanghai, The People's Republic of China	2046	100	832	Office

Major Properties Held by the Group

As at 31 December 2015

Address / Lot no.	Leasehold expiry	Group's interest %	Approximate gross floor area / Approximate saleable area* (sq. m.)	Existing use
31. Units 1811 to 1813 and Units 1815 to 1816 on 18th Floor, Enterprise Square, No. 228 Mei Yuen Road, Shanghai, The People's Republic of China	2048	100	397	Office
32. Units 1901 to 1903 and Units 1905 to 1909 on 19th Floor, Units 2001 to 2003 and Units 2005 to 2013 and Units 2015 to 2020 on 20th Floor, Enterprise Square, No. 228 Mei Yuen Road, Shanghai, The People's Republic of China	2048	100	2,429	Office
33. Units 1910 to 1913 and Units 1915 to 1920 on 19th Floor, Enterprise Square, No. 228 Mei Yuen Road, Shanghai, The People's Republic of China	2048	100	870	Office
34. Carparking Spaces Nos. 8, 17, 18, 19, 31, 38, 39, 40 & 41 on Basement 1, Enterprise Square, No. 216 Mei Yuen Road, Shanghai, The People's Republic of China	2048	100	519 (9 car parking spaces)	Car parking
35. Carparking Spaces Nos. 91 & 97 on Basement 2, Enterprise Square, No. 216 Mei Yuen Road, Shanghai, The People's Republic of China	2048	100	115 (2 car parking spaces)	Car parking

Major Properties Held by the Group

As at 31 December 2015

Address / Lot no.	Leasehold expiry	Group's interest %	Approximate gross floor area / Approximate saleable area* (sq. m.)	Existing use
36. 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
37. 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
38. Whole Single Storey Block, No. 357 Ji Zhan Road, Shanghai, The People's Republic of China	2056	100	22,109	Warehouse
39. No. 568–36, Erkan Road, Waipu District, Taichung City, Taiwan	Freehold	100	3,494	Factory and office
40. Portion of Dah Chong No. 2 Building, 18–2, Roppongi 5–chome, Minato-ku, Tokyo, Japan	Freehold	100	1,013	Office
41. 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
42. 259 Pandan Loop, Singapore 128435 Lot No. 4009A (JTC Pte Lot A14379) Mukim 5	2042	100	1,138	Cold storage

Definition of Terms

Terms

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

Ratios

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

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

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

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

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

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

Corporate Information

Headquarters and Registered Office

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

Website

www.dch.com.hk contains a description of Dah Chong Hong Holdings Limited's business, copies of interim and annual reports to shareholders, announcements, press releases and other information.

Stock Codes

The Stock Exchange of Hong Kong Limited: 01828
Bloomberg: 1828:HK
Reuters: 1828.HK

Share Registrar

Shareholders should contact our Share Registrar on matters such as transfer of shares, change of name or address, or loss of share certificates:
Tricor Investor Services Limited
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	:	4 May 2016 to 9 May 2016
Final Dividend	:	16 May 2016 to 18 May 2016
Annual General Meeting	:	9 May 2016 10:30 a.m. Salon 1–4, Level 3 JW Marriott Hotel Hong Kong Pacific Place, 88 Queensway Hong Kong
Final Dividend payable	:	8 June 2016

Annual Report 2015

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.

Design And Produced By: EDICO Financial Press Services Limited

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

8/f, DCH Building, 20 Kai Cheung Road, Kowloon Bay, Hong Kong
Tel: (852) 2768 3388 www.dch.com.hk

MIX
Paper from responsible sources
FSC™ C022951
FSC
www.fsc.org