大昌行集團有限公司

DAH CHONG HONG HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 01828)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

- Revenue increased by 3.6% on a year-on-year basis (excluding the impact of HKFRS 15)
- Profit attributable to shareholders increased by 2.2% to HK$820 million
- Profit attributable to shareholders increased by 6.7% on a like-for-like basis excluding the impact of HKFRS 9 and 15
- Earnings per share were 44.10 HK cents, an increase of 0.9%
- Proposed final dividend was 12.38 HK cents per share
- Full year dividend increased by 2.8% to 17.43 HK cents per share

CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear Shareholders,

It has become a commonplace observation in recent years that the world and our operating environments have been changing faster than ever before. In 2018, this trend persisted with increasingly unpredictable geopolitics, sometimes turbulent markets, and trade tensions that have escalated above any peak in recent memory. Uncertainty has been, and continues to be, the name of the game.

Against this backdrop, DCH has been responding systematically to the growing disruption and structural changes that have upended many of the long-held ways of doing business in the sectors and markets where we operate. We continued our ongoing transformation and refreshed both managerial and operational norms. Nevertheless, 2018 was a challenging year amidst an overall softening of the Chinese economy and headwinds gathering pace over the second half.

Our focus remains on increasing our resilience, and as our business continues to evolve, positioning DCH for sector leadership that will last for generations to come.

OPERATING RESULTS

Profit attributable to ordinary shareholders for 2018 was HK$820 million, representing a 2% increase over 2017. Our board has recommended a final dividend of 12.38 HK cents per share to shareholders, giving a total dividend of 17.43 HK cents per share for the year 2018 up from 16.95 HK cents in 2017.

While the bottom line grew slightly, supported by gains on the disposal of assets, our operating results decreased against 2017 due mainly to a widened loss in our mainland China food and FMCG business. I will address this later.

The motor segment registered a profit of HK$1,105 million, the largest contributor to our overall profit but 6% lower compared with 2017. The reduction in profit was due to the increased margin pressure that further accelerated in the second half of 2018, as the mainland Chinese automotive market experienced its first contraction in decades. In addition, profit was also affected by costs associated with new 4S shop openings as we continued working to grow this business in mainland China through new brands and services, particularly in the premium segment.

Meanwhile, in the more mature Hong Kong market, performance was stable, resulting mainly from the rebound of passenger vehicle sales and the contribution of our aviation and yacht businesses.

The consumer products segment recorded a loss of HK$2 million, dragged down by the loss incurred in the mainland China business, while performance in Hong Kong was buoyed by the increased margin in food trading as well as cost savings from our facilities consolidation.

The continued loss incurred in our mainland food and FMCG operation is inexcusable. So we have had to confront a fundamental question: Do (or can) we have the expertise and capacity to succeed?

Clearly, the issues run deeper than we had anticipated. We need to accelerate the evolution of our business model. E-commerce has upended traditional distribution, and the pace of change is increasing. To stay relevant, we must explore new channels and expand our partnerships with leaders in this space. That is a structural shift we have to continue addressing. Our immediate priority has been leadership. So a new management team for this business was installed at the end of 2018. We also engaged a leading consultancy to put in place a roadmap to reorder every level of the operation and reshape team workflows.

Our business foundation is solid, and we have brand relationships and the wider resources of CITIC. The goal I have set for this management team in 2019 is this: Stop the bleeding. I look forward to the results that this group will drive as we bring the operation toward its potential.

CORPORATE DEVELOPMENTS

The cornerstone of DCH's commitment since our founding 70 years ago was to think always from the customer's perspective. We deliver the products customers want through the channels most relevant to their current preferences. This has always been the core of our offer to brand partners from around the world. But success with this model demands constant evolution. That is why we work tirelessly to build relevance into everything, from our distribution infrastructure to consumer offerings and channels. In each of these areas, we realised critical gains in 2018.

Consolidating distribution operations

Our ongoing work to integrate systems and infrastructure across markets in the consumer products business is approaching a turning point. Much of the consolidation initiated since the acquisition of LF Asia has been completed, and costs are going down as new efficiencies emerge.

In healthcare, we have completed the development of our two cold-chain storage facilities in Hong Kong and Thailand. Already, these state-of-the-art distribution centres are shortening delivery cycles, enabling better tracking, expanding service options for our principals, and positioning DCH to gain market share as a healthcare distribution leader in Asia.

In logistics, our Hengqin distribution centre in the city of Zhuhai, a critical link in our Greater Bay Area supply chain network, is completed and expected to begin operation in 2019, preparing DCH to realise future gains as commercial flows strengthen across Guangdong, Hong Kong, and Macau. Meanwhile, warehouse consolidation continued in mainland China, which resulted in a utilisation rate improvement of nearly 20%. These completions are essential to the long-term defensiveness of our business and form the backbone of our distribution growth strategies. I look forward to the enhanced service offering, lower costs and expanded capacity they will add to our Greater China operations.

Expanding our consumer offering

Throughout the past year, we continued to expand our consumer offering by adding new product lines and protecting category margins. I would like to highlight a few promising initiatives.

We are increasing development of house brands and products. As of this writing, we have over 50 house brands developed and in-market, supported by a large and growing pipeline. The aim is to build a portfolio of brands such as our already-successful Cheer line, which in 2018 built on the popularity of its core range of fresh dairy, eggs and premium nuts to launch new products including drinking yogurts and organic cereals.

In food processing, DCH leverages its in-house R&D capabilities to create products that appeal to changing and increasingly health-conscious consumers. For example, the company has developed recipes specially tailored for its different retail partners and supplies semi-finished food products to many well-known restaurants.

In the motor business, we have been working to expand our portfolio within the electrical vehicle and domestic brand categories. Critically, we signed an agreement in 2018 for the authorisation of six 4S shops with Lynk & Co., a relatively young and millennial-targeted domestic Chinese brand. We expect this range to add an exciting new dimension to our portfolio. As premium vehicles continue to become more accessible throughout mainland China, we are also increasing our exposure to this higher-margin segment through the expansion of our dealership coverage in the Southern and Eastern China markets.

Deepening customer connectivity

Our capacity to understand and connect with consumers is how we create long-term value not only for our brand partners, but for customers themselves. This requires a serious and sustained focus. Today, that also means being comfortable with going beyond the traditional parameters of a physical distributor. New projects have begun, and while it is early days we are already seeing results as we work to enhance the customer journey for the digital age.

In mainland China, we are partnering with Tencent to digitise 4S shop services. Delivered through channels such as WeChat mini programs, our new service suite enables users to access real-time customer service through their mobile phones, reserve test drives, receive vehicle quotes and, ultimately, make purchases. Once rolled out, these services will be further supported by targeted marketing unlocked by Tencent technologies. Longer-term, our collaboration will expand to redefine the vehicle maintenance model as we work to seamlessly integrate physical after-sales services with online interactions.

In Hong Kong, we have launched successful channel expansions. UsedCarMart.hk, a C2C auto trading platform has facilitated worry-free transactions for consumers who prefer direct digital interaction. Similarly, Parts+ is a mobile app that enables digital ordering, tracking and communication for our independent garage buyers. Both are promising O2O innovations that add immediate value, while opening up future possibilities for smarter customer insights and individualised lifecycle management.

Right now, these initiatives still represent only incremental achievements. What makes them important is that they originated organically through the local teams closest to customers. They demonstrate our capacity to think beyond the traditional model of a dealer and distributor. As digitalisation continues to accelerate throughout the consumer industry, it is primarily through creative experimentation that we will stay relevant. I am optimistic about the differentiated offerings and stronger relationships we can build by applying this type of ground-up innovation across the DCH platform.

THE PATH AHEAD

Despite working within a trading environment defined by deepening conditions of uncertainty and complexity, we are increasingly better-positioned to capture growth throughout Asia, aligned with the continued expansion of the middle class, as well as increasing regional trade flows and commercial integration. Our attainable business opportunity is large and still growing. And as we evolve into new ways of working and creating value for our customers, I am increasingly confident in our capability to implement tough decisions, weather change and grow despite the storms that surely lie ahead.

We stand on the precipice of a new phase in our business as a dynamic and consumer-centric platform, one that will contribute lasting value for you, our shareholders, as well as for our principals, partners, customers and employees.

Thank you for continuing to share this journey with us.

Zhang Jijing
Chairman
Hong Kong, 26 February 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2018

HK$ million	Note	**2018**	2017
Revenue	3	**50,878**	51,238
Cost of sales		**(43,953)**	(44,312)
Gross profit		**6,925**	6,926
Other net income	5	**277**	334
Net gain on disposal of subsidiaries	6	**412**	16
Selling and distribution expenses		**(3,874)**	(3,908)
Administrative expenses		**(2,135)**	(1,899)
Net impairment losses on financial assets	7(b)	**(63)**	(19)
Profit from operations		**1,542**	1,450
Finance costs	7(a)	**(230)**	(193)
Share of profit after tax of associates		**6**	14
Share of profit after tax of joint ventures		**9**	21
Profit before taxation	7	**1,327**	1,292
Income tax	8	**(380)**	(354)
Profit for the year		**947**	938
Attributable to:			
Shareholders of the Company		**820**	802
Non-controlling interests		**127**	136
		947	938
Basic and diluted earnings per share (HK cents)	10	**44.10**	43.71

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

HK$ million	**2018**	2017
Profit for the year	**947**	938
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of entities outside Hong Kong:		
- subsidiaries	**(467)**	722
- associates and joint ventures	**(27)**	25
Effect on cash flow hedge, net of tax	**(9)**	12
Reserves released upon disposal of subsidiaries	**14**	3
Item that will not be reclassified subsequently to profit or loss:		
Revaluation gain recognised upon transfer from property held for own use and lease prepayments to investment property, net of tax	**-**	1
Other comprehensive income for the year, net of tax	**(489)**	763
Total comprehensive income for the year	**458**	1,701
Attributable to:		
Shareholders of the Company	**372**	1,521
Non-controlling interests	**86**	180
	458	1,701

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2018

HK$ million	Note	2018	2017
Non-current assets			
Property, plant and equipment		**4,019**	3,784
Investment properties		**231**	229
Lease prepayments		**804**	858
Intangible assets		**1,723**	1,880
Goodwill		**2,667**	2,760
Interests in associates		**364**	214
Interests in joint ventures		**288**	347
Other non-current assets		**861**	870
Deferred tax assets		**98**	84
		11,055	11,026
Current assets			
Inventories	11	**6,593**	6,891
Asset held for sale		**-**	4
Debtors and other current assets	12	**8,423**	8,148
Current tax recoverable		**99**	44
Cash and bank deposits		**1,093**	1,138
		16,208	16,225
Current liabilities			
Borrowings		**3,269**	2,864
Creditors and other current liabilities	13	**8,686**	8,442
Current tax payable		**137**	283
		12,092	11,589
Net current assets		**4,116**	4,636
Total assets less current liabilities		**15,171**	15,662
Non-current liabilities			
Borrowings		**3,702**	4,063
Other non-current liabilities		**177**	338
Deferred tax liabilities		**499**	549
		4,378	4,950
Net assets		**10,793**	10,712
Capital and reserves			
Share capital	14	**1,669**	1,535
Other reserves		**8,613**	8,610
Total equity attributable to shareholders of the Company		**10,282**	10,145
Non-controlling interests		**511**	567
Total equity		**10,793**	10,712

NOTES

1. Basis of Preparation

The financial information relating to the years ended 31 December 2018 and 2017 included in this preliminary announcement of annual results 2018 does not constitute Dah Chong Hong Holdings Limited ("the Company") and its subsidiaries' (collectively referred to as "the Group") statutory annual consolidated financial statements for those years but is derived from those financial statements.

The consolidated 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. The consolidated 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.

The consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the 2017 consolidated financial statements, except for the adoption of all relevant new and amendments to HKFRSs, HKASs and Interpretations, which are first effective for the current accounting period. Details of the changes in accounting policies are set out in Note 2.

The preparation of consolidated 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 figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, KPMG, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by KPMG on the preliminary announcement.

The Company will deliver the financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance in due course. The Company has delivered the financial statements for the year ended 31 December 2017 to the Registrar of Companies as required by the Hong Kong Companies Ordinance.

1. Basis of Preparation (Continued)

The Company's auditor has reported on those financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

2. Changes in Significant Accounting Policies

The HKICPA has issued a number of new and amendments to HKFRSs, HKASs and Interpretations that are first effective for the current accounting period. Of these, the following developments are relevant to the Group's financial statements:

- HKAS 40 (Amendments), *Transfers of investment property*
- HKFRS 9, *Financial instruments*
- HKFRS 15, *Revenue from contracts with customers*
- HK (IFRIC) – INT 22, *Foreign currency transactions and advance consideration*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses, additional provision of HK$7 million has been made accordingly during the year ended 31 December 2018. Upon the adoption of HKFRS 9, the Group has applied retrospectively to items that existed at 1 January 2018 and the comparative information is not required to be restated in accordance with the transitional provisions of HKFRS 9. Any transition adjustments have been recognised against the opening balance of equity at 1 January 2018.

The Group has been impacted by HKFRS 15 in relation to the timing of revenue recognition, gross versus net recognition of revenue and presentation of contract assets and contract liabilities. The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 11, *Construction contracts*, and HKAS 18, *Revenue*. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed at 1 January 2018.

The adoption of other new or amendments to HKFRSs did not have any material impact on the Group's results and financial position.

Further details of the changes in accounting policies are set out in Note 2(a) for HKFRS 15 and Note 2(b) for HKFRS 9.

2. Changes in Significant Accounting Policies (Continued)

(a) HKFRS 15, *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18 which covers revenue arising from the sales of goods and rendering of services, and HKAS 11 which specifies the accounting for construction contracts.

The following table summarises the impact of transition to HKFRS 15 on retained profits and the related tax impact at 1 January 2018:

	HK$ million
	Increase / (Decrease)
Retained profits	
Deferred revenue from warranty service identified as separate performance obligations	(50)
Revenue from installation services in sales contracts identified as separate performance obligations	1
Related tax impact of the above	8
Net decrease in retained profits at 1 January 2018	(41)

The impacts on the Group's consolidated statement of financial position at 1 January 2018 upon initial application of HKFRS 15 are as follows:

HK$ million	**At 31 December 2017**	**Impact on initial application of HKFRS 15**	**At 1 January 2018**
Deferred tax assets	84	8	**92**
Inventories	6,891	(691)	**6,200**
Debtors and other current assets	8,148	706	**8,854**
Creditors and other current liabilities	(8,442)	(43)	**(8,485)**
Other non-current liabilities	(338)	(21)	**(359)**
Other reserves	(8,610)	41	**(8,569)**

2. Changes in Significant Accounting Policies (Continued)

(a) HKFRS 15, *Revenue from contracts with customers* (continued)

The following tables summarise the impacts of adopting HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 and the consolidated statement of profit or loss for the year then ended for each of the line items affected.

Impacts on the consolidated statement of financial position:

At 31 December 2018 HK$ million	**As reported**	**Adjustments**	**Amounts without adoption of HKFRS 15**
Deferred tax assets	**98**	3	101
Inventories	**6,593**	478	7,071
Debtors and other current assets	**8,423**	(448)	7,975
Creditors and other current liabilities	**(8,686)**	26	(8,660)
Current tax payable	**(137)**	(4)	(141)
Other non-current liabilities	**(177)**	15	(162)
Other reserves	**(8,613)**	(70)	(8,683)

Impacts on the consolidated statement of profit or loss:

For the year ended 31 December 2018 HK$ million	**As reported**	**Adjustments**	**Amounts without adoption of HKFRS 15**
Revenue	**50,878**	2,226	53,104
Cost of sales	**(43,953)**	(2,191)	(46,144)
Income tax	**(380)**	(6)	(386)

2. Changes in Significant Accounting Policies (Continued)

(a) HKFRS 15, *Revenue from contracts with customers* (continued)

The details of the changes in significant accounting policies in relation to the Group's various goods and services are set out below:

(i) Timing of revenue recognition

Impacts on the Group's revenue recognition policy from adoption of HKFRS 15:

- ***Sales of motor vehicles and motor yachts***

  Upon adoption of HKFRS 15, the Group's revenue from sales of motor vehicles and motor yachts is recognised at a point in time when the customer obtains control of the motor vehicles and motor yachts. Factors to determine when the customers obtain control of motor vehicles and motor yachts include issuance of registration document (applicable to certain jurisdictions), full payments have been made and the goods have been delivered to and accepted by the customers.

  Under HKAS 18, the Group recognises revenue from sales of motor vehicles and motor yachts when the risks and rewards of ownership have been passed to the customers, that is when the registration document is issued or on delivery of motor vehicles and motor yachts, whichever is earlier.

  Revenue recognised under HKFRS 15 is at a later time than that of under HKAS 18. There is no adjustment on the opening balance of the retained profits as all the sale contracts of motor vehicles and motor yachts have been recognised and completed before 1 January 2018.

- ***Provision of service-type warranty***

  The Group provides warranty services in relation to the sales of motor vehicles. Under HKFRS 15, the Group determined that certain warranty services are service-type warranty that is distinct from the sales of motor vehicles and should be accounted for as a separate performance obligation. The Group allocates the transaction prices to the products and the service-type warranty under HKFRS 15. Revenue arising from such service-type warranty is recognised when the performance obligation has been fulfilled.

  Revenue is recognised later under HKFRS 15 than under HKAS 18. The profit from the related deferred revenue on these warranty services in prior years is HK$42 million (net of tax) and such amount has been debited to the retained profits at 1 January 2018.

2. Changes in Significant Accounting Policies (Continued)

(a) HKFRS 15, *Revenue from contracts with customers* (continued)

(ii) Gross versus net recognition of revenue

Under HKAS 18, an entity recognises revenue on a gross basis if it has exposure to the significant risks and rewards associated with the sale of goods or the rendering of services. Under HKFRS 15, an entity recognises revenue on a gross basis only if it controls the specified goods or services before such goods or services are transferred to the customer. Based on the terms of certain agreements entered into between the vendors and the Group, the Group determined that it does not obtain control of goods before the goods are sold to end customers. As such, the Group has changed the basis of recognition of revenue for certain transactions in its agency business under consumer products business segment from a gross basis to a net basis.

As a result of the change, the net commission or service fee received after deducting the consideration payable to the principals / other parties in exchange for the products and other direct costs is recognised as revenue. Direct costs of HK$2,065 million related to these transactions have been netted off with the revenue for the year ended 31 December 2018. The products held at 31 December 2018, amounting to HK$591 million, have been reclassified from "Inventories" to "Assets held on behalf of principals" under "Debtors and other current assets".

(iii) Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. The Group has assessed the expected credit losses of contract assets in accordance with HKFRS 9 on the same basis as financial assets (see Note 2(b)).

Contract liability, rather than a payable, is recognised when a customer pays non-refundable consideration, or is contractually required to pay non-refundable consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, the contract asset or contract liability is presented on a net basis. For multiple contracts, only contract assets and contract liabilities of related contracts are presented on a net basis.

As a result of the changes in presentation, the Group has made the following reclassification at 31 December 2018:

- "Gross amounts due from customers for contract work" and a portion of "Trade debtors and bills receivables" which represents receivable from customers recognised before being unconditionally entitled totalling HK$110 million, which were previously included in "Debtors and other current assets" is now presented as "Contract assets" under "Debtors and other current assets".

2. Changes in Significant Accounting Policies (Continued)

(a) HKFRS 15, *Revenue from contracts with customers* (continued)

(iii) Presentation of contract assets and liabilities (continued)

- "Gross amounts due to customers for contract work" and a portion of "Other payables and accrued charges" in respect of advance payments from customers amounting to HK$26 million and HK$1,972 million respectively, are now presented as "Contract liabilities and advance payments from customers" included in "Creditors and other current liabilities".

(b) HKFRS 9, *Financial instruments*

HKFRS 9 replaces HKAS 39, *Financial Instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The impacts related to the classification and measurement and the credit losses measurement are summarised as follows:

(i) Classification and measurement of financial assets and financial liabilities

Upon adoption of HKFRS 9, the classification of financial assets depends on two assessments: the financial asset's contractual cash flow characteristics and the entity's business model for managing the financial asset.

Apart from the reclassification of trade and other receivables to contract assets as a result of initial application of HKFRS 15 (see Note 2(a)), the Group's dated debt securities which were previously disclosed as "Held-to-maturity debt securities" under HKAS 39 are now disclosed as "financial assets at amortised cost" under HKFRS 9.

Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

All other financial assets continue to be measured on the same basis as were measured under HKAS 39.

The measurement categories for all financial liabilities remain the same. The Group did not designate or de-designate any financial asset or financial liability at fair value through profit or loss ("FVTPL") at 1 January 2018.

(ii) Credit losses of financial assets

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

2. Changes in Significant Accounting Policies (Continued)

(b) HKFRS 9, *Financial instruments* (continued)

(ii) Credit losses of financial assets (continued)

The Group applies the simplified approach and records lifetime expected credit losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade debtors and bills receivables, lease receivables and contract assets. Furthermore, the Group applies the general approach and records twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next 12 months, unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime expected credit losses. The Group has been impacted by HKFRS 9 that an additional provision of HK$7 million has been made accordingly during the year ended 31 December 2018.

(iii) Hedge accounting

At initial application, the Group has chosen to continue to apply the hedge accounting requirements of HKAS 39, instead of the requirements in Chapter 6 of HKFRS 9 to all hedging relationships. Thus the Group also applies HK(IFRIC) – INT 16, *Hedges of a net investment in a foreign operation,* without amendments which conform that interpretation to the requirements in Chapter 6 of HKFRS 9.

3. Revenue

The principal activities of the Group are sales of motor vehicles, provision of motor related business and services, sales of food, healthcare and consumer products, as well as provision of logistics services. Other businesses mainly represents rental income from investment properties.

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

HK$ million	**2018**	2017
Sales of motor vehicles, yachts, parts, accessories and motor services	**37,708**	34,428
Sales of food, healthcare and consumer products and logistics services income	**12,689**	16,406
Revenue from other businesses	**38**	32
Revenue from contracts with customers within the scope of HKFRS 15 (Note)	**50,435**	50,866
Rental income from motor leasing business	**429**	356
Rental income from leasing of properties	**14**	16
Revenue recognised according to other accounting standard	**443**	372
Total	**50,878**	51,238

Note:
The Group has initially applied HKFRS 15 using the cumulative effect transition method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18 and HKAS 11 (see Note 2).

As the Group has expanded its principal activities to cover the businesses of hire purchase and insurance agency, the handling and service charge income and commission income from these businesses are classified under "Revenue". Comparative figures of such income totalling HK$732 million have been reclassified from "Other net income" to "Revenue" to conform to current year's presentation.

Disaggregation of revenue from contracts with customers by geographical segment is disclosed in Note 4(d).

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 Business (Hong Kong & Macao / Mainland China / Other Markets)**

The motor business mainly consists of the operations of (i) motor vehicle distribution and dealership business; and (ii) other motor related business, which includes operation of service outlets, original equipment parts trading, used car trading, provision of after-sales services, motor leasing, sales of yachts, hire purchase and insurance agency, 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) **Consumer Products Business (Hong Kong & Macao / Mainland China / Other Markets)**

The consumer products business primarily consists of the operations of (i) trading and distribution of food commodities, distribution of fast moving consumer goods, food manufacturing and retail of food products; (ii) distribution of electrical appliances products; (iii) trading and distribution of consumer and healthcare 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 Thailand, Malaysia, Japan, Singapore, the Philippines, Indonesia and Brunei.

(iii) **Other Businesses**

Other businesses include small operating segments namely property business, and other miscellaneous businesses where the revenue and results from these segments are below the quantitative threshold for determining a reportable segment.

The Group's senior executive management monitors the results attributable to each reportable segment on the following basis:

The segment revenue 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 arisen 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.

4. Segment Reporting (Continued)

Performance is measured based on segment result from operations and segment profit or loss after taxation which includes the Group’s share of profits and losses after tax of associates and joint ventures. Items not allocated to the reportable segments comprise: (i) corporate expenses and recharges (mainly costs of supporting functions that are centrally provided by head office to all operating segments), (ii) amortisation of fair value adjustments arising from business combinations, (iii) gain / loss on remeasurement and (iv) impairment loss on intangible assets and goodwill, which are presented as reconciliation items in Note 4(b).

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 2018**	**Motor Business** **Hong Kong & Macao**	**Mainland China**	**Other markets**	**Sub-total**	**Consumer Products Business** **Hong Kong & Macao**	**Mainland China**	**Other markets**	**Sub-total**	**Other Businesses**	**Inter-segment elimination**	**Total**
Revenue from external customers	**5,924**	**30,637**	**1,576**	**38,137**	**7,151**	**3,592**	**1,946**	**12,689**	**52**	**-**	**50,878**
Inter-segment revenue	**4**	**1**	**-**	**5**	**3**	**3**	**-**	**6**	**96**	**(107)**	**-**
Segment Revenue (Note *(i)*)	**5,928**	**30,638**	**1,576**	**38,142**	**7,154**	**3,595**	**1,946**	**12,695**	**148**	**(107)**	**50,878**
Segment result from operations (Note *(ii)*)	**428**	**826**	**160**	**1,414**	**350**	**(284)**	**37**	**103**	**453**	**-**	**1,970**
Share of profit / (loss) after tax of associates	**-**	**8**	**-**	**8**	**-**	**12**	**-**	**12**	**(14)**	**-**	**6**
Share of profit after tax of joint ventures	**-**	**3**	**-**	**3**	**-**	**-**	**-**	**-**	**6**	**-**	**9**
Segment profit / (loss) before taxation (Note *(ii)*)	**428**	**837**	**160**	**1,425**	**350**	**(272)**	**37**	**115**	**445**	**-**	**1,985**
Segment income tax (Note *(ii)*)	**(71)**	**(216)**	**(33)**	**(320)**	**(58)**	**(39)**	**(20)**	**(117)**	**(9)**	**-**	**(446)**
Segment profit / (loss) after taxation (Note *(ii)*)	**357**	**621**	**127**	**1,105**	**292**	**(311)**	**17**	**(2)**	**436**	**-**	**1,539**

HK$ million Year ended 31 December 2017	Motor Business Hong Kong & Macao	Mainland China	Other markets	Sub-total	Consumer Products Business Hong Kong & Macao	Mainland China	Other markets	Sub-total	Other Businesses	Inter-segment elimination	Total
Revenue from external customers	5,748	26,865	2,171	34,784	8,809	4,710	2,887	16,406	48	-	51,238
Inter-segment revenue	5	-	-	5	1	1	-	2	95	(102)	-
Segment Revenue (Note *(i)*)	5,753	26,865	2,171	34,789	8,810	4,711	2,887	16,408	143	(102)	51,238
Segment result from operations (Note *(ii)*)	422	868	204	1,494	309	(198)	53	164	50	-	1,708
Share of profit / (loss) after tax of associates	-	5	-	5	-	10	-	10	(1)	-	14
Share of profit after tax of joint ventures	-	15	-	15	-	-	-	-	6	-	21
Segment profit / (loss) before taxation (Note *(ii)*)	422	888	204	1,514	309	(188)	53	174	55	-	1,743
Segment income tax (Note *(ii)*)	(93)	(204)	(39)	(336)	(45)	(8)	(17)	(70)	(10)	-	(416)
Segment profit / (loss) after taxation (Note *(ii)*)	329	684	165	1,178	264	(196)	36	104	45	-	1,327

Notes:

(i) The handling and service charge income and commission income have been classified under "Revenue" and the comparative figures have been adjusted to conform to current year's presentation (see Note 3).

(ii) For the year ended 31 December 2018, net provision of impairment losses on property, plant and equipment is included under segment results and the comparative figure has been adjusted to conform to current year's presentation (see Note 4(c)).

4. Segment Reporting (Continued)

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

HK$ million	**2018**	2017
Segment profit after taxation	**1,539**	1,327
Net gain / (loss) on		
- remeasurement of investment properties	**5**	7
- remeasurement of financial assets at FVTPL	**(3)**	16
- disposal of properties held for own use	**17**	64
- remeasurement of foreign currency forward contracts	**1**	(1)
Amortisation of fair value adjustments on property, plant and equipment, lease prepayments and intangible assets arising from business combinations	**(76)**	(87)
Provision of impairment losses on		
- intangible assets	**(10)**	(20)
- goodwill	**(75)**	-
Share-based payments	**-**	3
Unallocated corporate expenses	**(516)**	(433)
Reconciliation items before taxation	**(657)**	(451)
Tax impact:		
Net tax effect on the above reconciliation items	**65**	62
Reconciliation items net of taxation	**(592)**	(389)
Profit for the year	**947**	938

4. Segment Reporting (Continued)

(c) Other segment information

The following table sets out other information by reportable segment. Segment results are arrived at after charging / (crediting):

HK$ million **Year ended 31 December 2018**	**Motor Business** **Hong Kong & Macao**	**Mainland China**	**Other markets**	**Sub-total**	**Consumer Products Business** **Hong Kong & Macao**	**Mainland China**	**Other markets**	**Sub-total**	**Other Businesses**	**Total**
Segmental depreciation and amortisation	**81**	**345**	**14**	**440**	**42**	**36**	**37**	**115**	**16**	**571**
Segmental interest income	**(8)**	**(21)**	**(1)**	**(30)**	**(10)**	**(3)**	**(1)**	**(14)**	**(1)**	**(45)**
Segmental interest expense	**23**	**26**	**1**	**50**	**15**	**21**	**3**	**39**	**6**	**95**
Segmental write-down of inventories	**25**	**18**	**3**	**46**	**8**	**48**	**1**	**57**	**-**	**103**
Segmental reversal of write-down of inventories	**(9)**	**(7)**	**(2)**	**(18)**	**(7)**	**(13)**	**(7)**	**(27)**	**-**	**(45)**
Segmental net provision of impairment losses on property, plant and equipment	**-**	**8**	**-**	**8**	**-**	**-**	**-**	**-**	**-**	**8**
Segmental net provision of impairment losses on debtors and other current assets	**2**	**18**	**5**	**25**	**2**	**36**	**-**	**38**	**-**	**63**
Segmental net gain on disposal of subsidiaries	**(2)**	**(1)**	**-**	**(3)**	**-**	**(1)**	**-**	**(1)**	**(408)**	**(412)**

HK$ million Year ended 31 December 2017	Motor Business Hong Kong & Macao	Mainland China	Other markets	Sub-total	Consumer Products Business Hong Kong & Macao	Mainland China	Other markets	Sub-total	Other Businesses	Total
Segmental depreciation and amortisation	73	267	12	352	42	39	35	116	13	481
Segmental interest income	(1)	(34)	(1)	(36)	(5)	(3)	(2)	(10)	(1)	(47)
Segmental interest expense	6	13	2	21	10	36	5	51	5	77
Segmental write-down of inventories	26	21	6	53	16	45	6	67	-	120
Segmental reversal of write-down of inventories	(8)	(9)	(1)	(18)	(15)	(27)	(14)	(56)	-	(74)
Segmental net provision of impairment losses on property, plant and equipment	-	20	-	20	-	-	1	1	-	21
Segmental net provision / (reversal) of impairment losses on debtors and other current assets	6	24	3	33	(6)	51	(5)	40	-	73
Segmental net gain on disposal of subsidiaries	-	(2)	-	(2)	-	(14)	-	(14)	-	(16)

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, Thailand, Malaysia, Taiwan, the Philippines, Indonesia and Brunei. The geographical segment of revenue 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 revenue from external customers and non-current assets (excluding deferred tax assets) by geographical segment is as follows:

	Revenue from external customers		**Non-current assets**	
HK$ million	**2018**	2017	**2018**	2017
Hong Kong & Macao	**13,120**	14,597	**3,303**	3,085
Mainland China	**34,229**	31,576	**6,896**	7,041
Other markets	**3,529**	5,065	**758**	816
Total	**50,878**	51,238	**10,957**	10,942

The analysis above includes rental income from external customers of HK$147 million (2017: HK$148 million) in Hong Kong & Macao, of HK$269 million (2017: HK$199 million) in mainland China and of HK$27 million (2017: HK$ 25 million) in other markets.

5. Other Net Income

HK$ million	**2018**	2017
Advertising and other subsidies from suppliers	**121**	135
Net gain / (loss) on disposal of		
- property, plant and equipment	**26**	-
- properties held for own use	**17**	64
- joint ventures	**-**	(2)
Government subsidies	**17**	24
Handling and service charge income	**16**	12
Compensation income	**14**	2
Forfeited deposit from customers	**13**	7
Interest income from bank deposits	**8**	10
Other interest income	**7**	4
Net gain / (loss) on remeasurement of		
- investment properties	**5**	7
- foreign currency forward contracts	**1**	(1)
- financial assets at FVTPL	**(3)**	16
Net exchange loss	**(21)**	(6)
Others	**56**	62
Total	**277**	334

Note:
Comparative figures of handling and service charge income and commission income have been reclassified from "Other net income" to "Revenue" to conform to current year's presentation (see Note 3).

6. Net Gain on Disposal of Subsidiaries

Included in the net gain on disposal of subsidiaries during the year ended 31 December 2018 is an amount of HK$407 million for the gain on disposal of Sing Wo Chong Investment Company, Limited, a wholly-owned subsidiary of the Group incorporated in Hong Kong, to an independent third party at a cash consideration of HK$421 million. Net cash inflow to the Group of such disposal is HK$416 million after netting off the related expenses of HK$5 million.

In addition, the Group disposed of certain immaterial subsidiaries with a net gain on disposal of HK$5 million (2017: HK$16 million).

7. Profit Before Taxation

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

(a) Finance costs

HK$ million	**2018**	2017
Interest on bank advances and other borrowings	**226**	192
Other interest expenses	**4**	1
Total	**230**	193

(b) Other items

HK$ million	**2018**	2017
Amortisation		
- lease prepayments	**23**	17
- intangible assets	**90**	77
Depreciation	**560**	487
Write-down of inventories	**103**	120
Reversal of write-down of inventories	**(45)**	(74)
Net provision / (reversal) of impairment losses on		
- property, plant and equipment	**8**	21
- intangible assets	**10**	20
- goodwill (Note *(i)*)	**75**	-
- amounts due from joint ventures	**-**	(54)
- debtors and other current assets	**63**	73
Direct write off of debtors and other current assets	**19**	20
Net loss on realised foreign currency forward contracts	**9**	-
Auditors' remuneration		
- audit and audit related services (Note *(ii)*)	**26**	18
- tax services	**1**	1
- other services	**1**	6
Operating lease charges	**978**	944
Rental income from investment properties less direct outgoings of HK$5 million (2017: HK$5 million)	**(9)**	(9)

Notes:

(i) The goodwill allocated to certain cash-generating units in Consumer Products Business in mainland China was fully impaired during the year ended 31 December 2018 after the assessment on its recoverable amount based on value-in-use calculations.

(ii) The amount for the year ended 31 December 2017 was netted with an over-provision in prior year of HK$5 million.

8. Income Tax

The provision for Hong Kong Profits Tax for 2018 is calculated at 16.5% (2017: 16.5%) of the estimated assessable profits for the year, taking into account a reduction granted by the Hong Kong SAR Government of 75% of the tax payable for the year of assessment 2017-18 subject to a maximum reduction of HK$30,000 (2017: HK$20,000) for each business. Taxation outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant jurisdiction.

Income tax in the consolidated statement of profit or loss represents:

HK$ million	**2018**	2017
Current tax - Hong Kong Profits Tax		
- Provision for the year	**107**	111
- Under-provision in previous years	**-**	3
	107	114
Current tax - Outside Hong Kong		
- Provision for the year	**269**	355
- Under-provision in previous years	**3**	8
	272	363
Deferred tax		
- Origination and reversal of temporary differences	**(25)**	(170)
- (Recognition) / utilisation of deferred tax assets on tax losses	**(14)**	30
	(39)	(140)
Withholding tax	**40**	17
Total	**380**	354

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

9. Dividends

(a) Dividends payable to equity shareholders of the Company attributable to the year:

HK$ million	**2018**	2017
Interim dividend declared and paid of 5.05 HK cents (2017: 5.05 HK cents) per share	**94**	93
Final dividend proposed after the end of the reporting period of 12.38 HK cents (2017: 11.90 HK cents) per share	**233**	220
Total	**327**	313

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(b) Dividend payable to equity shareholders of the Company attributable to the previous year, approved and paid during the year:

HK$ million	**2018**	2017
Final dividend in respect of previous financial year, approved and paid during the year of 11.90 HK cents (2017: 3.69 HK cents) per share	**220**	68

10. Earnings Per Share

(a) Basic earnings per share

The basic earnings per share for the years ended 31 December 2018 and 2017 are based on the profit attributable to shareholders of the Company of HK$820 million (2017: HK$802 million) and the weighted average number of ordinary shares in issue during the year which is calculated as follows:

	Number of ordinary shares	
	2018	2017
Issued ordinary shares at 1 January	**1,847,038,804**	1,832,133,000
Effect of scrip dividend issued	**12,350,428**	2,817,810
Weighted average number of ordinary shares	**1,859,389,232**	1,834,950,810

(b) Diluted earnings per share

The diluted earnings per share for the years ended 31 December 2018 and 2017 are the same as basic earnings per share as the potential ordinary shares in respect of outstanding share options are anti-dilutive.

11. Inventories

Inventories in the consolidated statement of financial position represent:

(i) By nature:

HK$ million	**2018**	2017
Finished goods	**6,475**	6,822
Raw materials	**99**	55
Work-in-progress	**19**	14
At 31 December	**6,593**	6,891

(ii) By business segment:

HK$ million	**2018**	2017
Motor Business	**4,902**	4,174
Consumer Products Business	**1,691**	2,717
At 31 December	**6,593**	6,891

12. Debtors and Other Current Assets

HK$ million	**2018**	2017
Trade debtors and bills receivable, net of loss allowance	**3,875**	4,502
Other receivables, deposits and prepayments	**3,159**	3,087
Finance lease receivables	**931**	869
Assets held on behalf of principals	**650**	77
Contract assets	**110**	-
Gross amounts due from customers for contract work	**-**	6
Amounts due from holders of non-controlling interests	**83**	16
Amounts due from joint ventures	**12**	12
Amounts due from fellow subsidiaries	**4**	1
Amounts due from associates	**1**	6
Amount due from an intermediate holding company	**-**	1
Derivative financial instruments	**14**	15
	8,839	8,592
Less: Non-current finance lease receivables	**(416)**	(437)
Non-current trade debtors	**-**	(7)
At 31 December	**8,423**	8,148

12. Debtors and Other Current Assets (Continued)

The ageing analysis of trade debtors and bills receivable based on the invoice date (net of loss allowance) is as follows:

HK$ million	**2018**	2017
Within 3 months	**3,364**	3,992
More than 3 months but within 1 year	**373**	361
Over 1 year	**138**	149
At 31 December	**3,875**	4,502

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

Reportable segments	**Credit terms in general**
Motor Business	Cash on delivery to 90 days
Consumer Products Business	Cash on delivery to 105 days

13. Creditors and Other Current Liabilities

HK$ million	**2018**	2017
Trade creditors and bills payable	**3,565**	3,705
Other payables and accrued charges	**2,533**	4,248
Contract liabilities and advance payments from customers	**1,998**	-
Gross amounts due to customers for contract work	**-**	5
Amounts due to holders of non-controlling interests	**246**	232
Amounts due to associates	**19**	16
Amounts due to fellow subsidiaries	**19**	-
Amounts due to joint ventures	**-**	3
Provision for product rectification	**55**	57
Forward liabilities	**219**	-
Put option written on non-controlling interests	**30**	172
Derivative financial instruments	**2**	4
At 31 December	**8,686**	8,442

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

HK$ million	**2018**	2017
Current or within 1 month	**3,355**	3,389
More than 1 month but within 3 months	**151**	191
More than 3 months but within 6 months	**29**	53
Over 6 months	**30**	72
At 31 December	**3,565**	3,705

14. Share Capital

	2018		2017	
	Number of shares (in million)	**HK$ million**	Number of shares (in million)	HK$ million
Ordinary shares, issued and fully paid:				
At 1 January	**1,847**	**1,535**	1,832	1,477
Shares issued in respect of scrip dividends (Note)	**39**	**134**	15	58
At 31 December	**1,886**	**1,669**	1,847	1,535

In accordance with Section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

Note:
On 18 July 2018 and 25 October 2018, the Company issued and allotted 18,756,817 shares and 20,228,204 shares at an issue price of HK$3.9577 per share and HK$2.9488 per share respectively in respect of the final dividend for the year ended 31 December 2017 and the interim dividend for the six months ended 30 June 2018 under the scrip dividend scheme. The shares so issued ranked pari passu in all respects with the then existing issued shares except for the entitlement to the said dividend.

As a result of and in accordance with Section 37 of Schedule 11 to the Hong Kong Companies Ordinance, during the year ended 31 December 2018, the Company's share capital increased by approximately HK$134 million.

On 24 October 2017, the Company issued and allotted 14,905,804 shares at an issue price of HK$3.862 per share in respect of the interim dividend for the six months ended 30 June 2017 under the scrip dividend scheme. The 14,905,804 shares so issued ranked pari passu in all respects with the then existing issued shares except for the entitlement to the said interim dividend.

As a result of and in accordance with Section 37 of Schedule 11 to the Hong Kong Companies Ordinance, during the year ended 31 December 2017, the Company's share capital increased by approximately HK$58 million.

15. Comparative Figures

The Group has initially adopted HKFRS 15 and HKFRS 9 on 1 January 2018. Comparative information is not restated based on the transition method chosen, please refer to Note 2 for details.

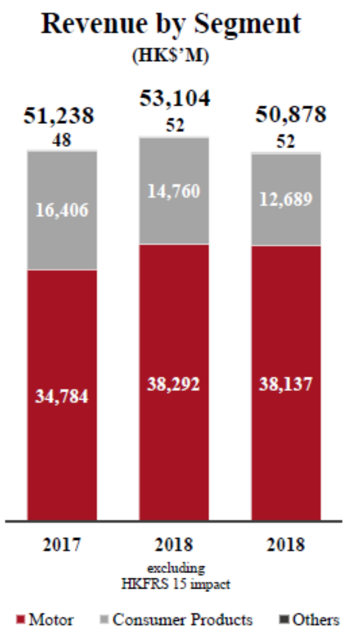
Certain comparative figures have been adjusted to conform to current year's presentation.

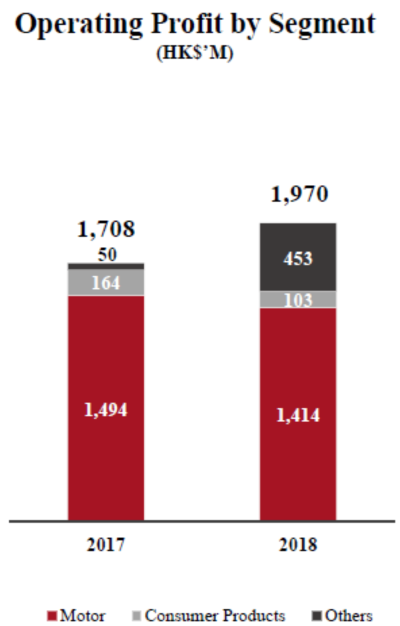
BUSINESS REVIEW

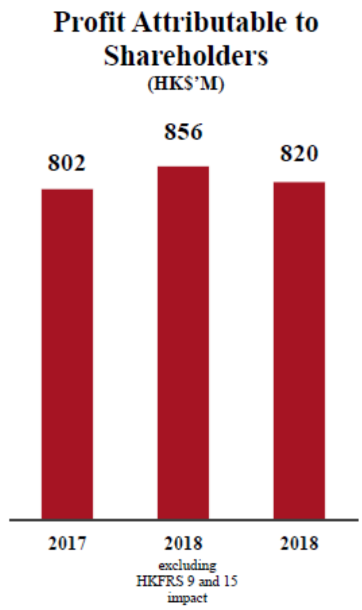
In 2018, Dah Chong Hong Holdings Limited ("DCH" or "the Group") delivered stable results despite economic headwinds in the second half of the year due to solid performances in core businesses with the exception of the restructuring mainland China food and FMCG business.

Overall, Group revenue[1] was steady with a slight decrease of 0.7% at HK$50,878 million (2017: HK$51,238 million) after the impact of new accounting standard, HKFRS 15. On a like-for-like basis, revenue increased by 3.6%. Gains in the motor business, driven by 4S shop expansion in mainland China, resulted in a 9.6% increase in the overall motor segment while portfolio optimisation and restructuring in the consumer products segment reduced revenue by 10.0% on a like-for-like basis and by 22.7% after the impact of HKFRS 15.

Profit attributable to shareholders increased by 2.2% at HK$820 million (2017: HK$802 million). Excluding the impact of HKFRS 15 and HKFRS 9, profit attributable to shareholders increased by 6.7%. In the motor segment, operating profit[2] decreased by 5.4% to HK$1,414 million (2017: HK$1,494 million) as we expanded our 4S shop network and made adjustments to pricing and sales strategies to adapt to a rapid shift in consumer demand and changing government policies in mainland China. In the consumer products segment, operating profit fell by 37.2% to HK$103 million (2017: HK$164 million) due to ongoing business reengineering in the mainland China food and FMCG business and restructuring in Southeast Asia. Conversely, operating profit increased in the food and FMCG business of Hong Kong, healthcare distribution, electrical products distribution and logistics. Total operating profit increased to HK$1,970 million (2017: HK$1,708 million) after a sale of noncore assets in Hong Kong.







[1] Revenue refers to revenue from external customers as disclosed in Note 4(a) to the financial statements in this announcement.

[2] Operating profit / (loss) refers to segment result from operations before sharing of non-controlling interests, as disclosed in Note 4(a) to the financial statements in this announcement.

In 2019, the motor business will continue to expand in the premium, commercial and domestic vehicle segments with 12 new 4S shops in the pipeline for a network total of 100 4S shops. At the same time, we are investing in our motor related business to open new growth opportunities. In partnership with Tencent, we will develop digital 4S shop capabilities and have launched innovative business model adaptations including a peer-to-peer used car platform in Hong Kong, digital ordering systems in the parts trading business and car sharing applications in motor leasing.

In the consumer products segment, we are integrating supply chains, implementing new systems and optimising our product and channel mix. While wide-ranging reforms in the mainland China food and FMCG business will continue in 2019, we have completed a thorough review of our business model and are implementing a targeted enhancement program to improve performance. In Hong Kong, our food and FMCG business has completed consolidation for enhanced efficiency and will continue to differentiate our product offerings while strengthening our portfolio of over 50 in-house brands. The restructuring in Southeast Asia is on track for completion in 2019 and will enable us to better focus on high potential growth areas. The performance of the healthcare business is promising, with gains in Hong Kong, Singapore and Malaysia, as we position DCH Auriga to be a regional distribution leader and leverage synergies within the wider CITIC family. Likewise, increased sales of lifestyle electrical products in mainland China, continual growth in e-commerce revenue and the expansion of the appliance installation business for property projects demonstrate how DCH has supplemented our core businesses with new channels for expansion.

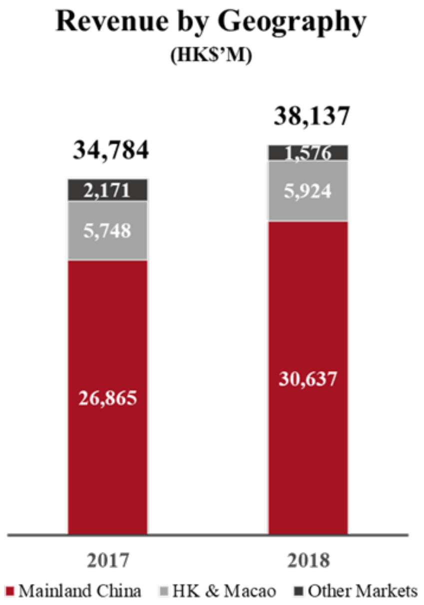
Looking forward, we anticipate that economic factors may impact our industries in the coming year as falling consumer sentiment, Sino-US trade tensions and changing government policies continue to generate a volatile business environment. However, we have successfully completed a wide range of business enhancement and innovation initiatives aligned with our long term strategic objectives. Our motor business is poised for growth and our consumer products business is steadily capturing new opportunities. We are prepared for a challenging 2019 with a reinvigorated culture and a defined strategy to strengthen our position as a motor and distribution leader in Greater China.

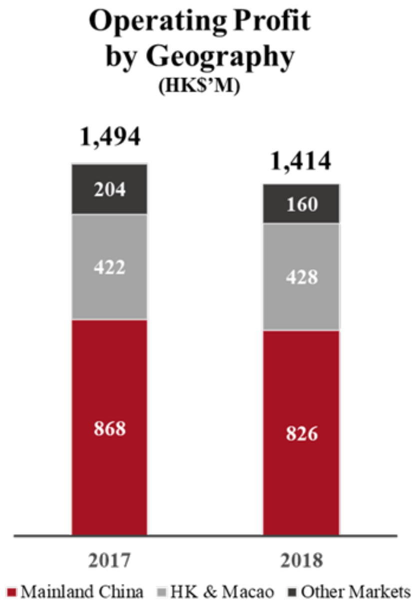
MOTOR BUSINESS

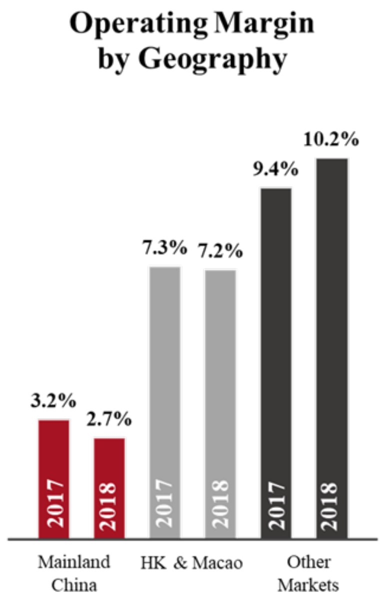
As a dealer and distributor of motor vehicles, DCH represents more than 20 renowned automotive brands with a presence in mainland China, Hong Kong, Macao, Singapore, Taiwan and Myanmar. Leveraging decades of industry expertise, the motor business offers supporting services including independent service outlets, vehicle parts trading, used car sales, motor leasing, auto finance and insurance, engineering projects, aviation support operations and the sales of luxury yachts.

Revenue generated by the motor business segment in 2018 was HK$38,137 million, an increase of 9.6% (2017: HK$34,784 million). The mainland China motor business grew by 14.0% to HK$30,637 million (2017: HK$26,865 million) while the Hong Kong and Macao motor business increased by 3.1% to HK$5,924 million (2017: HK$5,748 million). Growth in mainland China was driven by 4S shop expansion, enhanced front line capabilities and increased exposure to the premium vehicle market, while in Hong Kong, passenger vehicle sales improved against 2017 when the market was impacted by the expiration of a subsidy for electric vehicles.

Operating profit decreased by 5.4% to HK$1,414 million (2017: HK$1,494 million) during our business expansion phase in mainland China, further impacted by pricing pressure and strategy adjustments following the changes in government policies and a supply delay in Euro VI compliant commercial vehicles in Singapore.







Mainland China

DCH is one of the leading automotive dealers and distributors in mainland China with 88 4S shops and 29 authorised showrooms, retailing a diverse portfolio of motor brands with a network that spans 13 provinces and municipalities. In recognition of our scale and market achievements, we were recently listed in the top ten of the top 100 Chinese Auto Dealer Groups by the China Automobile Dealers Association. Supplementing our dealership business in mainland China, we offer motor services including leasing, financing, parts sales, auto insurance and used car sales.

In the first half of 2018, the mainland China motor industry enjoyed a favourable sales environment and the motor business delivered increased revenue and operating profit. Conversely, macroeconomic factors and government policies, including the announcement of tariff changes in early 2018, Sino-US trade tensions, a crackdown on peer-to-peer lending and declines in the equity market, weakened new vehicle demand in the second half of the year. China's GDP growth slowed and the automotive market contracted for the first time in decades, recording a 2.8% year-on-year decrease in unit sales according to the China Association of Automobile Manufacturers.

However, following the success of our business enhancement program, DCH initiated an accelerated business expansion strategy to increase our exposure to the premium segment and market penetration in Eastern and Southwest China. In 2018, we successfully expanded our network to a total of 88 4S shops in operation, up from 80 at the end of 2017, including new dealerships in the premium, mid-market and commercial vehicle segments. As a result of network expansion, increased exposure to the premium segment and enhanced marketing and sales effectiveness, DCH delivered an 8.8% year-on-year increase in unit sales despite the contraction of the market at a total of 112,226 units (2017: 103,181 units). Revenue increased by 14.0% to HK$30,637 million (2017: HK$26,865 million).

2018 vehicle sales by units

	DCH Unit Sales (Mainland China)			Mainland China Market Unit Sales (000s)		
	2018	2017	Change	**2018**	2017	Change
Passenger cars	**107,915**	98,763	9.3%	**23,710**	24,718	-4.1%
Commercial vehicles	**4,311**	4,418	-2.4%	**4,371**	4,161	5.0%
Total	**112,226**	103,181	8.8%	**28,081**	28,879	-2.8%

During our expansion phase, operating profit for the mainland China motor business totaled HK$826 million (2017: HK$868 million) a 4.8% decrease against an exceptional 2017 performance due partly to acquisition costs. Profitability was further impacted by government policies, particularly changes in import tariffs, and the rapid shift in consumer demand which necessitated adjustments to production, sales and pricing strategies across the industry. Segment margin remains at a 2.7% (2017: 3.2%) reflecting the operational fitness of our existing business despite the challenging market environment as we bring our new shops into full operation and prepare the business for significant growth in the longer term.

In addition to the new 4S shops opened in 2017 and 2018, DCH has garnered authorisations for a total of 12 new 4S shops with six in the premium segment for Audi, Bentley and Mercedes-Benz. To supplement our premium import brand portfolio, we have partnered with the innovative domestic brand, Lynk & Co., receiving authorisations for six new dealerships. In December 2018, our first Lynk & Co. showroom was opened in Chaozhou.

Aftersales service revenue, which represents 10.1% of total 4S shop revenue, increased by 14.4% with a 6.2% increase in vehicles serviced to 1,160,919 units. Revenue generated from motor financing and insurance grew by 18.4% while the auto financing portfolio increased by 13.3% to RMB819 million as DCH continued to promote value-added services alongside vehicle sales.

In 2018, revenue from the motor leasing business increased by 40.8% as DCH expanded city coverage to 33 cities and is on track to become one of the largest rental companies in mainland China, specialising in the corporate fleet segment. To sharpen and differentiate our service offering, we are exploring innovative car sharing systems and expansion opportunities in recreational vehicle leasing.

In the used car business, the recent easement of relocation restrictions on previously-owned vehicles resulted in a 68% increase in commissions and we leverage expertise developed in Hong Kong to prepare for potential growth in the used car market.

DCH has also acquired an importer’s license and will expand parallel importation services, following beneficial policy revisions including the removal of time limits on bonded storage in free trade zones. Furthermore, the Group is reviewing opportunities to expand our commercial vehicle network, building on decades of expertise and best practices developed in the Hong Kong market.

Recognising that customer service is fundamental to our continued success, DCH focused on strengthening our interactions with individual consumers and creating a seamless online to offline ("O2O") experience. We have launched a new customer relationship management ("CRM") system to build loyalty by connecting interactions along the car ownership journey. In partnership with Tencent, DCH is developing digital 4S shop services including smart delivery, electronic reservation and personalised test drives. We will also utilise advanced digital sales and marketing tools to create an individual and immersive vehicle ownership experience.

In 2019, we anticipate China's automotive market will face continued economic uncertainty and industry restructuring. However, our long-term strategy for expansion has positioned DCH to continue to outpace the market. Rising incomes, consumption upgrades and tariff reductions are expected to drive long term market growth, particularly for premium and imported vehicles. As such, we have refined our operational footprint and laid the foundations to benefit from the ongoing evolution of the automotive industry. DCH will continue to implement a targeted network expansion strategy while enhancing customer service, sales and marketing capabilities. In the spirit of continual improvement, we are in the process of defining a second phase of long term development initiatives to strenghten our business and prepare for tomorrow's opportunities.

Hong Kong and Macao

In Hong Kong and Macao, DCH is the dealer and distributor of 16 vehicle brands with supporting motor related businesses including motor leasing, used car trading, independent service outlets, parts trading, aviation services, engineering projects and the distribution of luxury yachts.

In 2018, Hong Kong's automotive market recorded a decrease of 5.8% in vehicle sales to 49,542 units, reflecting decreased demand against last year when passenger car sales increased 8.1% due to electric vehicle incentives. However, powered by strong model launches in key brands, sales funnel management and an enhanced buying experience, DCH passenger car sales outpaced the market, resulting in an 11.4% increase to 7,787 units. This growth offset a 20.6% decrease in DCH commercial vehicle unit sales despite market share gains as demand for commercial trucks slowed following the expiry of the second phase of the Hong Kong government's emission reduction program.

2018 vehicle sales by units

	DCH Unit Sales (HK & Macao)			Hong Kong Market Unit Sales		
	2018	2017	Change	**2018**	2017	Change
Passenger cars	**7,787**	6,993	11.4%	**34,596**	37,298	-7.2%
Commercial vehicles	**3,665**	4,613	-20.6%	**14,946**	15,292	-2.3%
Total	**11,452**	11,606	-1.3%	**49,542**	52,590	-5.8%

Revenue of the Hong Kong and Macao motor business accordingly increased by 3.1% to HK$5,924 million (2017: HK$5,748 million) and operating profit was steady with an increase of 1.4% to HK$428 million (2017: HK$422 million), supported by gains in the aviation and Princess Yachts businesses.

In 2018, the commercial vehicle business focused on retaining market share, innovation and service leadership as replacement demand in our core market segments tapered in the final stages of the emission reduction program. In the first half of the year, DCH successfully won a bid to supply 34 street-sweeping trucks to the Hong Kong Government's Food and Environmental Hygiene Department, the first domestic Euro VI truck purchase made by a Hong Kong government agency. In addition, DCH was selected as the sole provider of double decker cross-border shuttle buses and recovery tow trucks for the Hong Kong-Zhuhai-Macao Bridge, demonstrating our continued leadership in the commercial vehicle market.

The motor related businesses delivered a strong performance with growth in the aviation services business. In 2018, DCH was selected as the sole operator to supply, manage and maintain zero-emissions ground service equipment at the Hong Kong International Airport Midfield Concourse with an initial ten year contract. As part of the agreement, DCH will provide repair and maintenance services for over 10,000 ground support vehicles. The pooled, zero-emission fleet is the first of its kind in Asia and will serve as a model for ground service efficiency enhancement.

DCH also provides comprehensive sales, bespoke and aftersales services in Greater China for the renowned British luxury yacht manufacturer, Princess. During the year, revenue increased significantly with the delivery of a record 14 craft following successful years of brand, service and reputation building across the region. In 2018, we opened a new showroom located in the Central District of Hong Kong to enhance customer convenience and expanded marketing efforts in mainland China with participation in motor craft shows in Shanghai and Shenzhen.

In 2018, the Hong Kong and Macao motor business focused on enhancing profitability and market share by improving customer satisfaction. The implementation of a new CRM system will serve as a central hub to incorporate sales, marketing and customer service processes, facilitating each unique customer journey. With more targeted promotional, marketing and service capabilities, DCH is better positioned to deliver a differentiating experience, boost sales and drive loyalty.

We also introduced initiatives to enhance connectivity with O2O services. In September 2018, DCH launched a new online trading platform for used cars, "UsedCarMart.com". The digital marketplace builds on existing operations and credibility in the motor industry to create a convenient and worry-free way to sell and buy used cars. The platform will offer customers a wide range of value-added services to help used car owners value their vehicles and align with prospective buyers, as well as tools to assess vehicle quality and ensure payment transfers.

In our parts trading business, we have created an innovative mobile application called "PARTS+" for our business customers. The application provides a platform for maintenance service providers to find and order replacement parts, offering a seamless customer experience with real time communication, push notifications, order tracking function and online tutorials.

DCH is well positioned as a market leader in Hong Kong and Macao with diversified motor businesses and a strong portfolio of passenger and commercial vehicle brands. While the market faces potential impact from economic factors and government programs, we anticipate that our performance will remain stable as we focus our efforts on service, digitalisation and driving synergies across our operations.

Other Markets

The other markets motor business segment comprises commercial vehicles sales and services in Singapore and Taiwan with business expansion opportunities in Myanmar.

In 2018, revenue decreased by 27.4% to HK$1,576 million (2017: HK$2,171 million) and operating profit decreased by 21.6% to HK$160 million (2017: HK$204 million) due to the delay of Euro VI vehicle supply in Singapore, which offset growth in the Taiwan commercial vehicle business.

In Singapore, DCH is the sole distributor and authorised dealer of Isuzu Motors and offers vehicle leasing, parts trading and aftersales services. In 2018, Singapore adopted Euro VI emission standards for diesel vehicles but a supply delay of Euro VI compliant commercial vehicles affected sales in the first months. While deliveries began in the second quarter, we were unable to fully recover from the impact to revenue and profit for the year. Market demand was further softened by the completion of the Singapore Government's early retirement program for commercial vehicles.

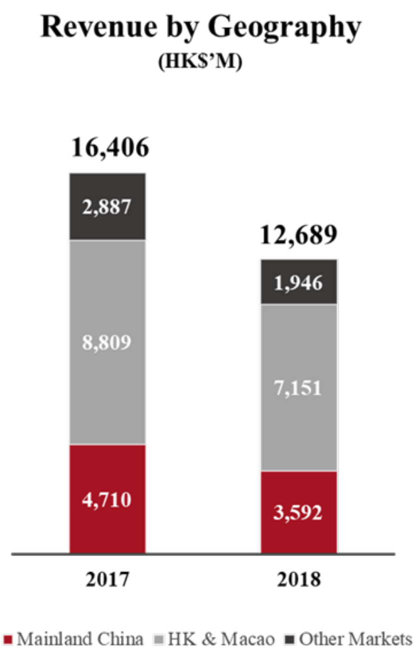
DCH is also the sole distributor and authorised dealer of Isuzu Motors in Taiwan, providing sales and aftersales service with a semi-knocked down assembly facility. In 2018, the Taiwan motor business reported a 13.3% increase in commercial vehicle unit sales to 2,853 units (2017: 2,519 units) and an increase in profitability as we received authorisation to assemble two additional models at our local semi-knocked down facility, reducing cost and shortening lead times. DCH unit sales were further strengthened by new initiatives to better serve corporate fleets as the business focused on customer satisfaction and relationship management.

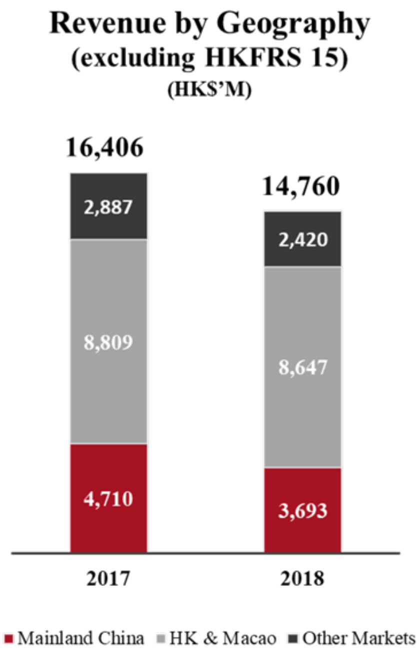
Looking ahead, while we anticipate that a challenging global market environment may impact sales, we are confident that our product and service offering will remain competitive. We will continue to work closely with our principals to maintain market share while exploring opportunities for expansion in each of our individual markets.

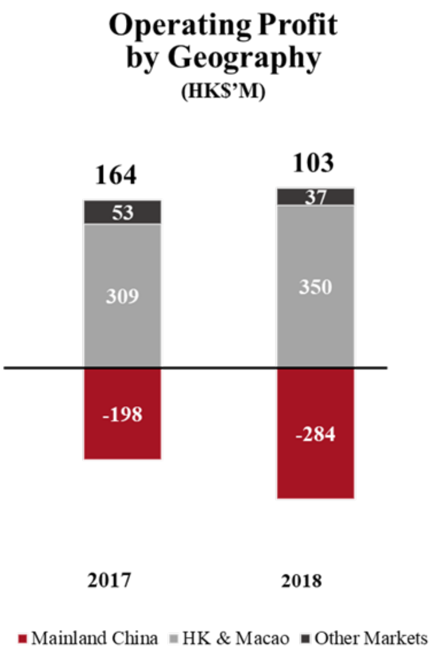
CONSUMER PRODUCTS BUSINESS

DCH is a leading distributor of consumer products across Greater China and Southeast Asia. Distributing over 1,000 brands and 30,000 products, ranging from food and FMCG to healthcare and electrical products, our business extends across brand development, manufacturing, commodity trading, agency distribution, logistics, retail and aftersales with operations in Hong Kong, Macao, Taiwan, Mainland China, Japan, Singapore, Thailand, Malaysia, Indonesia, the Philippines and Brunei.

Revenue generated by the consumer products segment in 2018 was HK$12,689 million (2017: HK$16,406 million) representing a decrease of 22.7% after the implementation of HKFRS 15. On a like-for-like basis, revenue decreased by 10.0% mainly due to portfolio optimisation in the mainland China food and FMCG business and market restructuring in the mainland China healthcare businesses. Operating profit was HK$103 million (2017: HK$164 million), a decrease of 37.2% as a result of continuing business reengineering in the mainland China food and FMCG business and restructuring in Southeast Asia. On the contrary, operating profit in the food and FMCG business of Hong Kong, healthcare distribution, electrical products distribution and the logistics businesses improved against 2017.







Food and FMCG

In the food and FMCG business, which accounts for 72.3% of the consumer products segment business by revenue, DCH operations extend across the supply chain to include brand development, food manufacturing, food commodity trading, agency distribution and retail operations.

Mainland China

In mainland China, DCH operates a consumer products distribution and trading network that covers more than 30 major cities and regions, including Beijing, Shanghai, Guangzhou, Tianjin, Wuhan and Chengdu.

In 2018, the overall operating environment was challenging as China's economy slowed with Sino-US trade tensions and falling consumer sentiment further impeding the Group's trading businesses. Likewise, rapidly changing consumer shopping preferences affected product performance and margins as pricing transparency from e-commerce and online grocery put pressure on traditional business models.

The food and FMCG business in mainland China recorded a revenue decrease of 13.8% with widened operating losses during ongoing operational transformation. In partnership with an external consultant, we completed a thorough review of our operations and have defined a comprehensive strategy to succeed in the rapidly evolving market. Internally, we have restructured the business with the appointment of a new management team, centralised regional offices and streamlined administrative functions. We have implemented prudent promotion and inventory controls with a revised performance management system and clear performance targets.

In 2019, we will continue to improve performance and carefully monitor our operations to ensure we remain on a path of business recovery, with the structure, portfolio and processes we need to compete successfully in the mainland China consumer market.

Hong Kong and Macao

Revenue generated in the Hong Kong and Macao food and FMCG business decreased by 12.0% after the adoption of HKFRS 15 but was stable on a like-for-like basis with a slight decrease of 0.9%. Operating profit increased by 7.2% due to the strong performance of the food trading business and sales recovery in food processing following the opening of consolidated operations in Yuen Long.

During the year, the Sino-US trade tensions and the softening macro economy negatively impacted consumer confidence while pricing pressure from parallel trading and rising import costs directly affected the food trading and distribution industry. To maintain profitability, DCH continued efforts to upgrade product and channel portfolios while improving cost and service structures.

Food Distribution

In our food and FMCG agency distribution business, we offer localised marketing and supply chain services to a diversified range of market-leading household brands such as Pocari Sweat, Oreo, Hershey's, Ovaltine and Nivea. The integration of the acquired IMSA business is complete, creating synergies and solidifying DCH as the leading agency food and FMCG distributor in Hong Kong and Macao. In 2018, we focused on the optimisation of brand, product and channel portfolios to offset continued pressure from parallel imports and intense pricing competition. Looking forward, the Group will continue to rationalise its product and channel portfolios while exploring opportunities for further channel expansion, including cross-border and online sales.

Food Trading

DCH food trading sources and distributes meat, seafood, produce and groceries for foodservice, wholesale and retail. Revenue and operating profit increased despite aggressive pricing strategies adopted by competitors and fluctuating commodity pricing as the business focused on the development of specialty products and increasing penetration in high-end channels. Recognising a shift in the preferences of our caterers and consumers, DCH is widening our portfolio to include products that are natural, sustainable, "free-from" and organic. We are also expanding our retail product range with convenient serving sizes and simple home cooking solutions.

Brands

DCH has developed more than 50 in-house and licensed brands of food and household products including Cheer, Valley Chef, Daisy, Speedtox, Master Butcher, Golden Spot and Golden Trophy. With a diverse range of products from dairy and cereal to premium seafood, our in-house brands represent an exciting growth area and an avenue to leverage extensive distribution, marketing and market building capabilities. In 2018, a dedicated team was formed to accelerate DCH brand development and has begun reviewing our brand catalogue for product extension, repackaging and market expansion opportunities. We will assess opportunities to replicate the success of our Cheer brand, which has become a household name in Hong Kong and successfully launched new product ranges including drinking yogurts and cereals in 2018.

Food Processing

As part of our effort to build synergies across our operations, the consolidation of our meat and seafood processing operations in Hong Kong was completed in early 2018 with production lines relocated to ISO 22000 and HACCP certified facilities in Yuen Long. Our businesses have resumed normal operations and delivered an increase in operating profit despite challenges from imports and an evolving processed foods industry. To maintain strong profitability and market share, we are reviewing our product portfolio, packaging and recipes to better serve the changing tastes of consumers, particularly with natural or "free-from" products and delivered early R&D successes with unique recipes developed for some of Hong Kong's leading caterers and restaurants. To build market share, we will continue to differentiate our product range, enhance product traceability and introduce digital ordering platforms.

Food Retail

DCH operates 52 Food Mart and Food Mart Deluxe stores which offer specialty meat and seafood products alongside home cooking requirements. Over the past two years, we have optimised our store portfolio and delivered improved performance with same-store-revenue growth that outpaced the market in 2018. This year, DCH continued a wide range of enhancement measures including interior renovation, the introduction of mobile payment systems, new loyalty and redemption programs and a widened product range of premium fruits and specialty items. As a result of our efforts to improve the overall shopping experience, Food Mart proudly received the "2018 Service Retailer of the Year" award in the supermarket sector by the Hong Kong Retail Management Association. In 2019, we will continue to enhance the brand image, store environments, product ranges and operational efficiency. We have also identified further areas for expansion after a review of the market and are actively seeking targeted growth opportunities to build operational scale, including the exploration of an O2O model in partnership with an e-commerce leader.

With the consolidation of the IMSA business complete and supply chain synergies generating new efficiencies, the outlook for the Hong Kong and Macao food and FMCG business remains positive despite the highly competitive retail environment. In 2019, DCH will continue to develop own brand opportunities, maintain market share through the continued expansion of retail and wholesale channels and develop our product portfolio with a focus on premium, natural and healthy products.

Other Markets

In Southeast Asia, DCH's food and FMCG business distributes food, personal care and household goods with a geographic footprint that extends across Singapore, Taiwan, Thailand, Malaysia, Indonesia, Brunei, Japan and the Philippines. DCH also operates a food and beverage contract manufacturing facility in Malaysia that produces snacks, beverages and healthcare products for Asian markets.

In 2018, we focused on streamlining the Southeast Asia business to enhance profitability, identifying competitive advantages and positioning our operations to benefit from growth opportunities. As a result of restructuring in East Malaysia and Singapore, revenue decreased by 34.6% and the business recorded operating losses. However, restructuring has entered its final stages as scheduled and the rationalised Southeast Asian business portfolio is anticipated to improve management focus and profitability for the future.

In our contract manufacturing operations, both revenue and operating profit increased with business expansion. In 2019, we will continue to review opportunities to grow our portfolio in higher value and private label products while closely monitoring operational costs, productivity, quality and yield improvements to protect profitability.

In 2019, DCH will focus on building market share in key markets of Southeast Asia. Operationally, we will promote internal efficiency while leveraging regional and local expertise to attract new principals and capture growth opportunities across the region.

Healthcare Distribution

DCH's healthcare distribution business, DCH Auriga, offers comprehensive supply chain solutions with operations across Greater China and Southeast Asia. Product coverage includes pharmaceuticals, over-the-counter medicines, medical devices, personal care, nutrition and hospital consumables.

Revenue for the healthcare distribution business decreased by 15.0% on a like-for-like basis as growth in Hong Kong, Singapore and Malaysia offset a decline in the mainland China market where government purchasing and public health policies have shifted to favour the development of a domestic healthcare industry. After the application of HKFRS 15, revenue decreased by 52.1%. Despite the reduced revenue, cost structuring and growth in key markets resulted in an increase of 19.6% in operating profit.

Business realignment efforts in mainland China are completed and we have pivoted our strategy to focus on the nutrition and over-the-counter categories, engaging support from the wider CITIC family to drive synergy. We have successfully leveraged our network through opportunities to distribute Nature's Care after investment from the Tamar Alliance Fund, jointly owned by CITIC Pacific and DCH, and are now working with Lifestyles to introduce sexual wellness products in five Asian markets, following acquisition by CITIC Capital. In Hong Kong, we are beginning the distribution of new products including post-surgical consumables and incontinence products.

During the year, we completed new flagship distribution facilities in Thailand and Hong Kong to strengthen our distribution footprint, upgrade capabilities and increase warehouse and delivery flexibility. In Thailand, the new distribution centre is located by the Bangkok airport to provide an optimal location for in-bound healthcare shipments, facilitating a faster turnaround for just-in-time and emergency delivery. In Hong Kong, DCH Auriga is moving into a stand-alone, healthcare-dedicated distribution centre complete with state-of-the-art equipment including robotic shelving, radio frequency identification enhanced warehousing and specialty cold chain services. The infrastructure investments have generated significant interest from principals and further position DCH Auriga to grow into a healthcare distribution leader across the region.

Commencing 2017, DCH Auriga initiated a three-year program to upgrade management information systems and digitise the supply chain across 12 distribution centres in Asia. New warehouse management software will drive seamless connectivity by providing advanced control and tracking capabilities. Accordingly, DCH Auriga was awarded by JDA Software Group for the "Best Implementation in Asia" as the roll out of the new system capabilities increased speed, traceability and visibility without impacting daily operations. We anticipate the successful supply chain digitisation will help us move to a paperless operation, improve productivity and provide greater transparency to management and customers.

Looking forward, DCH Auriga will focus on building market share with new infrastructure and regionalised capacities while exploring key growth areas including the development of private label products and technology-driven services.

Electrical Products Distribution

With operations across Hong Kong, Macao, mainland China and Southeast Asia, DCH distributes, retails and provides aftersales services for a wide range of multinational brands of electrical, audio-visual, lifestyle products and home appliances under the Gilman Group, ToolBox, DCHdigi and DCHAV brands.

Revenue for the electrical products business increased by 1.5% and operating profit increased by 20.0% reflecting growth in lifestyle electronics and strong home appliance sales, particularly in laundry and air conditioners, which offset a decrease in appliance installation for property projects. The Waste Electrical and Electronic Equipment Recycling Programme in Hong Kong, which requires manufacturers and distributors to be responsible for disposal fees, impacted short term demand for household appliances but did not have a significant impact on profitability as consumers adjusted to new price levels.

DCH is currently reviewing its retail network and has identified opportunities for expansion on and offline. In mainland China, the success of our DCHdigi business has been largely driven by e-commerce sales across multiple platforms and the Gilman business has expanded online distribution with a double-digit increase in e-commerce revenue. In September of 2018, we opened a new experiential lifestyle retail concept, "iD Shop" at Pacific Place in Admiralty, Hong Kong. The shop provides a curated range of premium electronic products, including TVs, cameras, watches, and audio products, with an emphasis on personalised customer service. In the Gilman business, we are also evaluating Southeast Asian market expansion, building on the success of our lifestyle and proprietary brands.

In 2018, we initiated several measures to enhance customer service. We improved service tracking, call center performance and repair lead times while opening new digital channels for customer communication. As a result, we have been recognised with industry awards including "The Best Audio Distributor" in the E-brand awards from Hong Kong Economic Times, "The PC3 Platinum Brand Award" from Audio Magazine and the "Top Ten Equipment" Award from 21hifi.com.

Gilman ToolBox also moved into the DCH headquarters in November 2018 to drive synergy and strengthen our aftersales service offering. In addition to servicing products distributed by Gilman and DCH, ToolBox widened its service coverage with new contracts to provide comprehensive aftersales services for third party brands. In recognition of its achievements, ToolBox was awarded in 2018 for "Outstanding Consumer Experience" by our strategic partner, the Electrolux Group.

In 2019, DCH will continue to expand the home appliance and electronics distribution business, particularly in premium lifestyle products. We will enhance our purchase and after sales experience to maintain best-in-class customer service. Additionally, we are working closely with the wider CITIC network to leverage our extensive distribution portfolio in property development and retail projects across Greater China.

Logistics

The logistics solutions business operates distribution centres and in-house fleets, providing comprehensive supply chain solutions to both internal and external customers including transportation, cold-chain, warehousing and value-added services across Greater China.

In 2018, DCH Logistics implemented a wide range of integration initiatives with a rationalised portfolio of customers and consolidated operations. Despite a revenue decrease of 12.7% as we focused efforts on higher value business streams, operational profit was steady with an increase of 2.4% reflecting efforts to upgrade facilities, improve utilisation rates and control management costs.

Our focus for the year was to drive synergy through consolidation, particularly in the supply chains of both the food and FMCG business and electrical products business. Consolidation efforts have resulted in enhanced warehouse and delivery efficiency with increased utilisation rates and cost reductions. Integration is largely completed in Hong Kong, while storage optimisation and synergy development continues in mainland China.

In addition to enhancing efficiency, DCH Logistics is exploring opportunities to expand our distribution footprint. In 2019, the opening of the new 45,000 square meter distribution centre in Hengqin will position DCH to meet demand for premium supply chain services in Macao and across the Greater Bay Area. We are also reviewing new strategic locations in Southern and Eastern China, alongside the potential relocation of existing hubs for better accessibility and utilisation. Despite ongoing economic uncertainty, we anticipate portfolio adjustments and integration efforts will continue to drive profitability across our distribution businesses.

FINANCIAL REVIEW

OPERATING RESULT

For the year ended 31 December 2018, the Group recorded total revenue of HK$50,878 million (2017: HK$51,238 million) with the adoption of HKFRS 15, *Revenue from contracts with customers*, from 1 January 2018. On a like-for-like basis (i.e. excluding the impact of HKFRS 15), the Group's revenue increased by 3.6% to HK$53,104 million. Profit attributable to shareholders increased by 2.2% to HK$820 million (2017: HK$802 million). Without the impact of HKFRS 9 and 15, profit attributable to shareholders increased by 6.7% to HK$856 million.

REVENUE

HKFRS 15 came to effect on 1 January 2018 whereby the Group has been impacted by HKFRS 15 in relation to the timing of revenue recognition in the motor business segment, and net instead of gross recognition of revenue in the agency service under consumer products business segment. The overall impact of HKFRS 15 was a reduction of HK$2,226 million to the Group's reported revenue in 2018.

Motor Business

Segment revenue in the motor business accounted for 75.0% of the Group's total revenue. Excluding the impact of HKFRS 15, segment revenue increased by 10.1% to HK$38,297 million (2017: HK$34,789 million). The increase was attributable to the 14.0% increase in revenue in mainland China and 3.4% increase in the Hong Kong and Macao motor segment. These increases were partly offset by the revenue decrease in the Singapore market.

Revenue growth in mainland China was attributable to on-going business reforms and 4S shop portfolio expansion as well as the full year impact of dealerships acquired in 2017 which increased sales and contribution from the premium and luxury segment.

Revenue in Hong Kong and Macao increased primarily due to gains in passenger car market share and strong growth in the motor related businesses including aviation services and the distribution of Princess Yachts. These increases were partly offset by the shortfall in commercial vehicle sales as the Hong Kong Government's emissions reduction programme entered into its third and final stages.

Revenue in the other markets segment decreased due to the delay in the delivery of Euro VI commercial vehicles in Singapore which was partly compensated by the growth in Taiwan commercial vehicle business.

Consumer Products Business

Segment revenue from the consumer products business segment dropped by 22.6% to HK$12,695 million (2017: HK$16,408 million) primarily due to the impact of HKFRS 15. On a like-for-like basis, segment revenue decreased by 10.0%.

In mainland China, on a like-for-like basis, segment revenue decreased by 21.5% to HK$3,696 million (2017: HK$4,711 million) mainly attributable to restructuring and portfolio optimisation in the food and FMCG business as well as the reduced sales in the healthcare distribution business resulting from the government's public health policy shift favouring domestic and generic pharmaceuticals. Revenue from the logistics solution business also decreased as a result of portfolio optimisation. These decreases were slightly offset by growth in the electrical products business with the increasing demand for lifestyle electronics in mainland China.

In Hong Kong and Macao, segment revenue was stable on a like-for-like basis at HK$8,650 million (2017: HK$8,810 million). Revenue from the food and FMCG business and electrical products business was steady against last year while revenue from the healthcare distribution business and logistics solutions business dropped slightly due to the rationalisation of product and customer portfolios.

In the other markets segment, on a like-for-like basis, segment revenue decreased by 16.2% to HK$2,420 million (2017: HK$2,887 million) mainly due to decreased revenue in the food and FMCG business as a result of business restructuring which was partly compensated by market share gains in healthcare distribution business in Singapore and Malaysia.

SEGMENT PROFIT AFTER TAXATION

Segment profit after taxation in 2018 was HK$1,539 million, an increase of 16.0% as compared with HK$1,327 million in 2017.

Motor Business

Segment profit after taxation decreased by 6.2% to HK$1,105 million (2017: HK$1,178 million).

Our mainland China segment profit after taxation decreased by 9.2% to HK$621 million (2017: HK$684 million) upon the opening of eight new 4S shops and reflecting the margin impacts of strategy adjustments following changes in import tariffs and rapidly shifting consumer demand.

Conversely, segment profit after taxation in Hong Kong and Macao increased by 8.5% to HK$357 million (2017: HK$329 million) due to strong passenger cars sales as the market normalised following the expiry of incentives on electric passenger cars in 2017. The favourable performance for passenger cars was partly offset by the weakened demand for commercial trucks as the Hong Kong Government's emission program winds to a close.

Segment profit after taxation in other markets decreased by 23.0% to HK$127 million (2017: HK$165 million) primarily caused by the delay in delivery of Euro VI commercial vehicles in Singapore.

Consumer Products Business

Segment loss after taxation was HK$2 million (2017: profit of HK$104 million).

The mainland China consumer products business incurred segment loss after taxation of HK$311 million (2017: loss of HK$196 million) mainly due to the poor performance of our food and FMCG business. This was further compounded by reduced profit in the mainland China healthcare distribution business as a result of a shortfall in sales. These adverse impacts were partly compensated by performance improvement in our logistics business after successful supply chain consolidation. Profitability in the electrical products business also improved as a result of sales growth, particularly in higher-margin lifestyle electronics.

In Hong Kong and Macao, segment profit after taxation increased by 10.6% to HK$292 million (2017: HK$264 million). Improvement in performance was recorded in our food commodity trading, food retail and food processing businesses as a result of margin enhancements driven by brand and store portfolio optimisation as well as operating cost savings after the consolidation of our processing facilities. However, this performance improvement was partly offset by reduced profit from our food and FMCG agency distribution business due to parallel trading and keen market competition. The healthcare distribution business outperformed last year with market share growth and cost savings generated by business streamlining.

In other markets, segment profit after taxation was HK$17 million (2017: HK$36 million), a 52.8% decrease from last year due to additional operational costs incurred in our FMCG businesses in Singapore and East Malaysia. The healthcare distribution business was stable against 2017.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Profit attributable to shareholders of the Company was HK$820 million, a slight increase of 2.2% compared with HK$802 million in 2017. Excluding the impact of HKFRS 9 and 15, profit attributable to shareholders increased by 6.7% to HK$856 million. Our result was driven by the stable performance of our motor business and the Hong Kong and Macao consumer products business despite a softening retail market. Losses in the foods and FMCG businesses in mainland China and Southeast Asia dragged down operating profit, but after gains from the disposal of non-core assets, profit attributable to shareholders increased against 2017.

EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2018 was based on the profit attributable to shareholders of the Company of HK$820 million and the weighted average number of 1,859,389,232 (2017: 1,834,950,810) ordinary shares in issue during the year. Basic earnings per share was 44.10 HK cents for 2018, an increase of 0.9% as compared with 43.71 HK cents for 2017.

The diluted earnings per share for the year ended 31 December 2018 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 12.38 HK cents per share for the year ended 31 December 2018 (2017: 11.90 HK cents), together with the interim dividend of 5.05 HK cents per share (2017: 5.05 HK cents) already paid, the total dividend for 2018 was 17.43 HK cents per share (2017: 16.95 HK cents), an increase of 2.8%. The final dividend will be payable in cash, with an option granted to shareholders to receive the final dividend in the form of new shares in lieu of cash in respect of part or all of such dividend. The new shares to be issued pursuant to the scrip dividend scheme are subject to their listing being granted by the Listing Committee of The Stock Exchange of Hong Kong Limited.

FINANCE COSTS

The Group's finance costs increased by 19.2% to HK$230 million (2017: HK$193 million) mainly due to the consecutive interest rate hikes during the year. The Group's effective interest rate also recorded an increase while we continued to negotiate with banks to mitigate the Group's interest burden.

INCOME TAX

Income tax increased by 7.3% to HK$380 million (2017: HK$354 million). The effective tax rate was sustained at 28.6% (2017: 27.4%) mainly due to the implementation of a tax efficiency programme which compensated the tax impact caused by the increased losses from the mainland China consumer products business.

NET ASSET VALUE PER SHARE

The calculation of net asset value per share was based on the net asset value of the Group of HK$10,793 million (31 December 2017: HK$10,712 million) and the 1,886,023,825 ordinary shares issued at 31 December 2018 (31 December 2017: 1,847,038,804 ordinary shares). Net asset value per share at 31 December 2018 was HK$5.72 (31 December 2017: HK$5.80).

CAPITAL COMMITMENTS

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

HK$ million	**2018**	2017
Contracted for		
- Capital expenditures	**248**	192
- Investment in an associate	**146**	268
At 31 December	**394**	460
Authorised but not contracted for		
- Capital expenditures	**165**	214
At 31 December	**165**	214

CONTINGENT LIABILITIES

At the end of the reporting period, the Group has issued guarantees to banks in respect of banking facilities of HK$59 million (31 December 2017: HK$59 million) granted to and utilised by an associate of HK$31 million (31 December 2017: HK$34 million).

The Group has issued a guarantee of EUR1.2 million at 31 December 2018 and 2017 to a trade creditor of an associate.

CAPITAL EXPENDITURE

In 2018, the Group's total capital expenditure was HK$1,136 million (2017: HK$711 million) and the increases in capital expenditure spending are mainly as follows:

Motor Business	–	Renovating 4S dealerships in mainland China, acquisition of motor vehicles to expand the motor leasing businesses in mainland China
Consumer Products Business	–	Office renovation, fixtures and fittings, plant and equipment and logistics facility at Hengqin
Corporate Offices	–	Spending on IT systems and infrastructure upgrades

HK$ million	**2018**	2017	Change
Motor Business	**743**	548	195
Consumer Products Business	**171**	134	37
Other Businesses	**10**	13	(3)
Corporate Offices	**212**	16	196
At 31 December	**1,136**	711	425

TREASURY POLICY

The Group remains committed to a high degree of financial control, prudent risk management and the best utilisation of financial resources.

Cash management and financing activities of operating entities in Hong Kong are centralised at the 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 limitations and regulatory constraints, operating entities outside of Hong Kong are responsible for their own cash management and risk management which are closely monitored by the head office. Financing activities outside of Hong Kong are reviewed and approved by the head office before execution.

CASH FLOW

Summary of Consolidated Cash Flow Statement

HK$ million	**2018**	2017	Change
Operating profit before changes in working capital	**1,903**	2,000	(97)
Decrease in working capital	**360**	402	(42)
Cash generated from operations	**2,263**	2,402	(139)
Income tax paid	**(622)**	(397)	(225)
Net cash generated from operating activities	**1,641**	2,005	(364)
Net cash used in investing activities	**(1,192)**	(611)	(581)
Dividends paid to shareholders of the Company	**(180)**	(103)	(77)
Net cash used in financing activities	**(357)**	(1,391)	1,034
Net decrease in cash and cash equivalents	**(88)**	(100)	12
Cash and cash equivalents at 1 January	**1,013**	1,042	(29)
Net decrease in cash and cash equivalents	**(88)**	(100)	12
Effect of foreign exchange rates changes	**(40)**	71	(111)
Cash and cash equivalents at 31 December	**885**	1,013	(128)

Overview

The Group maintained a healthy cash position. With the solid performance from the mainland China and Hong Kong motor businesses, as well as Hong Kong food, consumer and healthcare businesses, the operating profit before changes in working capital amounted to HK$1,903 million (2017: HK$2,000 million) for the year. The Group continues prudent working capital management with a reduction of HK$360 million in working capital primarily driven by better receivables management. Net cash used in investing activities was HK$1,192 million, while net cash used in financing activities was HK$537 million. At 31 December 2018, the cash and cash equivalents balance was HK$885 million (2017: HK$1,013 million), reduced by HK$128 million compared to the beginning of the year.

Operating profit before changes in working capital

Profit before taxation was HK$1,327 million for 2018 (2017: HK$1,292 million). After adding back non-cash items, operating profit before changes in working capital was HK$1,903 million (2017: HK$2,000 million).

Cash flow from changes in working capital

Working capital decreased by HK$360 million (2017: decreased by HK$402 million) which included an increase in inventories of HK$531 million (2017: decrease by HK$659 million) being fully offset by the increase in creditors and other liabilities of HK$571 million (2017: decrease by HK$455 million) and the decrease in debtors and other assets of HK$320 million (2017: decrease by HK$198 million). The increase in inventories was mainly due to an increase in stock for Euro V commercial vehicles ahead of the adoption of the new emission standards in Hong Kong and Taiwan and Euro VI commercial vehicles in Singapore after the adoption of the new standards. The decrease in trade and other assets was driven by the improvement in collection and receivables ageing management in the consumer products business.

Net cash generated from operating activities

Cash generated from operations was HK$2,263 million (2017: HK$2,402 million). Netting tax payment of HK$622 million (2017: HK$397 million), net cash generated from operating activities was HK$1,641 million (2017: HK$2,005 million). The higher tax paid in the year was mainly due to the settlement of profits tax from the sales of a building in Japan last year. The Group's effective tax rate for the period was 28.6% (2017: 27.4%).

Net cash used in investing activities

Net cash used in investing activities was HK$1,192 million (2017: HK$611 million) which included the settlement of the acquisition of premium dealerships in Cixi, Eastern China and the investment in Tamar Alliance Fund.

Net cash used in financing activities

Net cash used in financing activities was HK$537 million (2017: HK$1,494 million). The net proceeds from bank loans was HK$9 million (2017: HK$1,140 million net repayment) and the net outflow to non-controlling interests was HK$140 million (2017: HK$59 million). Interest paid was HK$226 million (2017: HK$192 million). Dividends paid to equity shareholders for the period were HK$180 million (2017: HK$103 million). The Group's year-end total debt was maintained at a similar level as last year.

GROUP DEBT AND LIQUIDITY

The cash and debt position of the Group at 31 December 2018 is summarised as follows:

HK$ million	**2018**	2017	Change
Total debt	**6,971**	6,927	44
Cash and bank deposits	**1,093**	1,138	(45)
Net debt	**5,878**	5,789	89

At 31 December 2018, the Group's net debt position was HK$5,878 million (2017: HK$5,789 million), a slight increase of HK$89 million as a result of the increase in debt of HK$44 million and the decrease in cash of HK$45 million. The Group's year-end total debt and net debt position were maintained at last year's level.

The original denomination of the Group's borrowings and cash and bank deposits by currency at 31 December 2018 is summarised as follows:

HK$ million equivalent	HKD	RMB	JPY	USD	SGD	NTD	THB	Others	**Total**
Total debt	4,167	309	209	2,278	-	8	-	-	**6,971**
Cash and bank deposits	105	613	105	19	43	111	38	59	**1,093**
Net debt / (cash)	4,062	(304)	104	2,259	(43)	(103)	(38)	(59)	**5,878**

The Group's debt was mainly denominated in HKD and USD as the borrowing costs for these two currencies were relatively lower. The Group held more cash in RMB as our major cash generating business is the motor business in mainland China.

Leverage

The below table shows the total capital and net gearing ratio of the Group at 31 December 2018 and 31 December 2017.

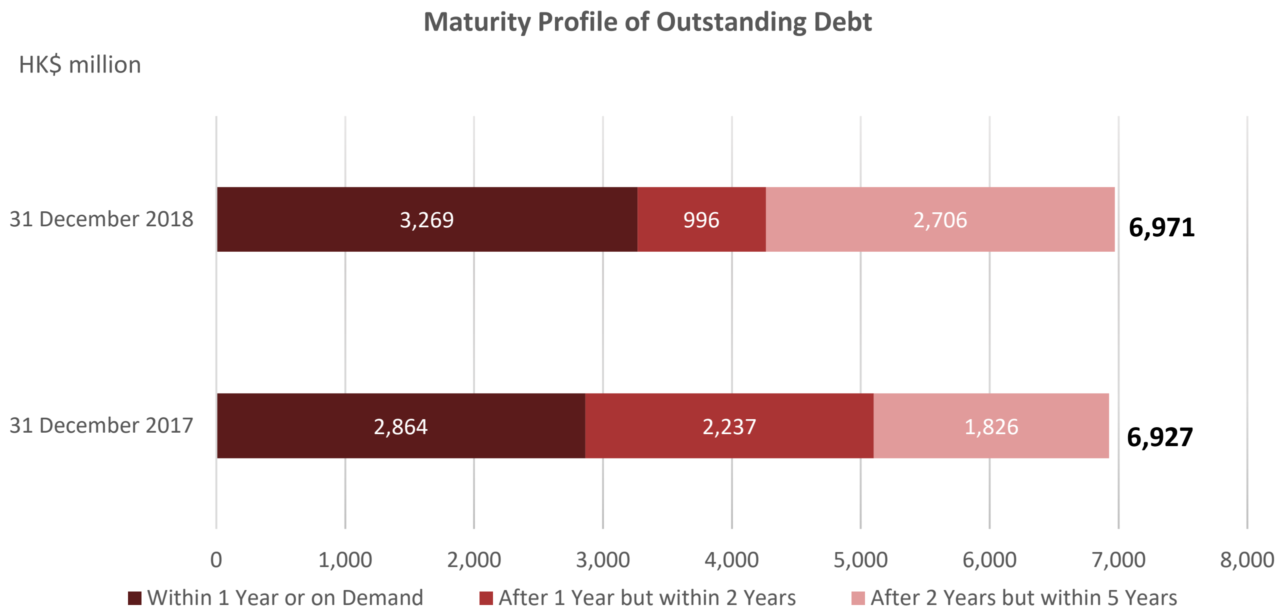
HK$ million	**2018**	2017	Change
Net debt	**5,878**	5,789	89
Shareholders' funds	**10,282**	10,145	137
Total capital	**16,160**	15,934	226
Net gearing ratio	**36.4%**	36.3%	0.1%

The Group maintained a healthy net gearing ratio of 36.4%. The position was steady with slight changes in shareholders' funds and net debt.

The effective interest rate of the Group's borrowings for the period was 3.1% (2017: 2.5%). Although interest rate hikes in the US totalled 100 basis points in 2018, the Group's effective interest cost only increased by 60 basis points in 2018 as the Group's borrowings were predominantly denominated in Hong Kong dollars, and the pace of Hong Kong interest rate hikes was slower than US interest rates in 2018. In addition, the Group also actively negotiated with banks to lower the financing margin to offset the effect of interest rate hikes.

Maturity Profile of Outstanding Debt

The Group actively manages its debt maturity profile based on its cash flow and refinancing ability upon debt maturity. The graph below shows the debt maturity profile of the Group at 31 December 2018 and 31 December 2017.



The portion of debt matured within 1 year increased because part of the term loans became due within 1 year as of 31 December 2018. The portion of debt matured after 2 years increased by HK$880 million due to refinancing of matured term loans and refinancing of short term loans by new term loans during the year. The Group will continue to refinance the term loans upon maturity and maintain a healthy maturity profile.

Sources of Financing

The below table shows the source of financing at 31 December 2018:

HK$ million	**2018**	2017	Change
Utilised term loans and revolving loans	**5,965**	5,207	758
Utilised money market lines	**1,011**	1,635	(624)
Discounted bills and trade loans	**-**	80	(80)
Others	**(5)**	5	(10)
Total	**6,971**	6,927	44

Committed vs Uncommitted Facilities

	31 December 2018			31 December 2017		
HK$ million	**Total**	**Utilised**	**Available**	Total	Utilised	Available
Committed facilities:						
Term loans and revolving loans	**6,185**	**5,965**	**220**	5,897	5,207	690
Uncommitted facilities:						
Money market lines	**11,221**	**1,011**	**10,210**	10,052	1,635	8,417
Total loan facilities	**17,406**	**6,976**	**10,430**	15,949	6,842	9,107
Trading facilities	**5,739**	**645**	**5,094**	6,153	771	5,382
Total	**23,145**	**7,621**	**15,524**	22,102	7,613	14,489

The Group maintains sufficient banking facilities to support the business. At 31 December 2018, facilities totaled HK$23,145 million including total loan facilities of HK$17,406 million and trading facilities of HK$5,739 million. Within the total loan facilities of HK$17,406 million, committed facilities totaled HK$6,185 million, representing 36% of total loan facilities. Uncommitted facilities totaled HK$11,221 million, representing 64% of total loan facilities. Utilised loan facilities totaled HK$6,976 million, representing 40% of total loan facilities. Undrawn available loan facilities totaled HK$10,430 million. The Group will ensure adequate financing resources are maintained to support the future growth of the business.

PLEDGED ASSETS

At 31 December 2018, the Group's assets of HK$275 million (2017: HK$372 million) were pledged in relation to the financing of issuance of bank acceptance drafts and the purchase of vehicle 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 2018, the Group has complied with all of the above financial covenants.

CORPORATE GOVERNANCE

DCH is committed to maintaining high standards of corporate governance. The Board believes that good corporate governance practices are important to promote investor confidence and protect the interest of our shareholders. A full description of DCH's corporate governance will be set out in the Corporate Governance Report contained in the 2018 Annual Report.

Throughout the year 2018, DCH has applied the principles and complied with all code provisions of the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Audit Committee of the Board, consisting of five independent non-executive directors, has reviewed the 2018 financial statements with the management and DCH's internal and external auditors and recommended its adoption by the Board.

DIVIDEND AND CLOSURE OF REGISTER

The directors have resolved to recommend to shareholders the payment of a final dividend of 12.38 HK cents per share (2017: 11.90 HK cents per share), which together with the interim dividend of 5.05 HK cents per share (2017: 5.05 HK cents per share) already paid makes a total dividend of 17.43 HK cents per share (2017: 16.95 HK cents per share) for the year ended 31 December 2018. The total dividend of 17.43 HK cents per share will amount to HK$327 million of DCH's profit for the year ended 31 December 2018 (2017: HK$313 million).

The proposed final dividend of 12.38 HK cents per share, the payment of which is subject to approval of the shareholders at the forthcoming annual general meeting of DCH to be held on Friday, 17 May 2019 ("2019 AGM"), is to be payable to shareholders whose names appear on the register of members of DCH on Monday, 27 May 2019.

The directors propose that shareholders be given the option to receive the final dividend in new shares in lieu of cash. The scrip dividend scheme is subject to (1) the approval of the proposed final dividend at 2019 AGM; and (2) the Stock Exchange granting the listing of and permission to deal in the new shares to be issued pursuant to the scrip dividend scheme. A circular containing details of the scrip dividend scheme will be despatched to shareholders together with the form of election for scrip dividend on or about Wednesday, 12 June 2019. It is expected that the final dividend warrants and share certificates for the scrip dividend will be despatched to shareholders on or about Tuesday, 16 July 2019.

The register of members of DCH will be closed during the following periods:

(i) from Tuesday, 14 May 2019 to Friday, 17 May 2019, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at 2019 AGM. In order to be eligible to attend and vote at 2019 AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with DCH's Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 10 May 2019; and

(ii) from Thursday, 23 May 2019 to Monday, 27 May 2019, both days inclusive, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to establish entitlements to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with DCH's Share Registrar, Tricor Investor Services Limited at the address as set out in sub-paragraph (i) above not later than 4:30 p.m. on Wednesday, 22 May 2019.

During the periods mentioned in sub-paragraphs (i) and (ii) above, no transfers of shares will be effected.

PURCHASE, SALE OR REDEMPTION OF SHARES

DCH has not redeemed any of its shares during the year ended 31 December 2018. Neither DCH nor any of its subsidiary companies has purchased or sold any of DCH's shares during the year ended 31 December 2018.

FORWARD LOOKING STATEMENTS

This announcement contains certain forward-looking statements with respect to the financial condition, results of operations and business of the Group. These forward-looking statements represent DCH's expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

ANNUAL REPORT AND FURTHER INFORMATION

A copy of this announcement can be found on DCH's website (www.dch.com.hk) and the Stock Exchange's website (www.hkexnews.hk). The 2018 Annual Report will be made available on the respective websites of DCH and the Stock Exchange on or about 29 March 2019.

By order of the Board
Lai Ni Hium
Executive Director and Chief Executive Officer

Hong Kong, 26 February 2019

As at the date of this announcement, the directors of DCH are:

Executive directors: *Lai Ni Hium, Lee Tak Wah and Fung Kit Yi, Kitty*

Non-executive directors: *Zhang Jijing (Chairman), Yin Ke, Kwok Man Leung and Fei Yiping*

Independent non-executive directors: *Chan Kay Cheung, Chan Hui Dor Lam, Doreen, Woo Chin Wan, Raymond, Zhang Lijun and Cheng Jinglei*