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

Interim Report 2008

Vitality and Professionalism

OUR CHINA MOMENTUM

Stock Code : 01828

CONTENTS

FINANCIAL HIGHLIGHTS

HK$ million	Six months ended 30 June **Unaudited** **2008**	 Audited 2007
Profit Attributable to Shareholders	**289**	210
Major Business Segment Profit		
Motor and Motor Related Business	**359**	202
Food and Consumer Products Business	**88**	63
Logistics Business	**8**	10
Others	**33**	35

HK$ million	**Unaudited** **30 June** **2008**	Audited 31 December 2007
Net Debt	**468**	294
Shareholders' Funds	**4,630**	4,282
Total Capital	**5,098**	4,576

HK cents	Six months ended 30 June **Unaudited** **2008**	 Audited 2007
Earnings per Share	**16.06**	12.95
Interim Dividend per Share	**6.43**	–

CHAIRMAN'S LETTER TO SHAREHOLDERS

RESULTS

With the Group's various business enjoying continued growth momentum in the first half of 2008, DCH Holdings ("DCH") achieved a total turnover of HK$9,519 million for the period, representing an increase of 36.2% compared to the same period last year of HK$6,989 million. Profit from operations posted a growth of 49.2% to HK$443 million, compared to last year's HK$297 million. Profit attributable to shareholders of the Group increased by 37.6% to HK$289 million, compared to last year's HK$210 million. Basic earnings per share were 16.06 HK cents versus last year's 12.95 HK cents.

The Board resolved to declare an interim dividend of 6.43 HK cents per share.

Business Mix

Turnover from Motor and Motor Related Business remained the main growth driver with turnover making up 67.1% of the total turnover of the Group for the six months, while Food and Consumer Products Business accounted for 31.5%, and Logistics Business and Others made up the remaining 1.4%.

Geographically, turnover generated from Mainland China accounted for 49.9% of the Group's total turnover for the period, while turnover from Hong Kong and Macao made up 40.5% and the remaining 9.6% was derived from overseas.

BUSINESS REVIEW

Motor and Motor Related Business

The Motor and Motor Related Business continued the strong growth for the first six months of 2008. Turnover of Motor and Motor Related Business posted an encouraging growth of 48.1% to HK$6,387 million. Segment profit soared by 77.7% to HK$359 million; while segment profit margin improved from last year's 4.7% to 5.6%.

Mainland China

Driven by the vigorous demand for luxury passenger cars and commercial vehicles, the Group achieved a strong 58.7% growth in turnover to HK$3,601 million for the first six months.

According to *the China Association of Automobile Manufacturers*, the total number of vehicles sold in Mainland China for the six months ended 30 June 2008 increased by 18.5% to about 5.18 million vehicles. Although the passenger vehicle market in Mainland China slowed down because of the heavy snowstorms, Sichuan earthquake and soaring oil price, it registered a 17.1% growth compared to the same period last year, while the growth of commercial vehicles remained and recorded 22.0% in the first half. The Group's growth in the first half was in line with the market and sales of commercial vehicles increased by 90.7% to over 3,100 units compared to the same period last year. Albeit it is expected that growth of the motor market in Mainland China will be softened in the second half, we remain confident of the Group's performance.

Regarding business expansion, the Group added three 4S shops in Mainland China in the first six months including one for *Mercedes Benz*. With the newly added 4S shops, the Group is operating a total of 33 4S shops and 19 brands in Mainland China.

Going forward, the Group is expected to have a portfolio of 43 4S shops by the end of 2008 and will be achieved through Merger and Acquisitions ("M&A") and greenfield/own set up. Besides, we will work on improving the quality of our dealership portfolio to enhance the profitability of the Group.

Hong Kong and Macao

Backed by the continuous strong market demand, the Group's Motor and Motor Related Business achieved robust growth in the first half of 2008. Turnover from Hong Kong and Macao soared by 42.4% to HK$2,216 million. The market size of Hong Kong increased 29.6% for the first six months of 2008 compared to the same period last year, while DCH recorded a growth of 45.8% in the total number of vehicles sold, a higher growth than the market. Accordingly, market share of the Group for all vehicles in Hong Kong further improved from last year's 27.0% to 30.4% for the first six months.

With the global oil price soared, the demand for the Group's environmental-friendly private vehicles such as the *Honda Stepwgn* and *Nissan Serena* remains strong. *Bentley*, the premium brand, registered an encouraging growth of 166.7% over the same period last year, reflecting a relatively small impact of soaring oil price on demand for super luxury vehicle. With several new models launched or expected to be launched like *Honda Jazz* and *Nissan Qashqai*, it is believed that sales growth in the second half will be driven by the new models.

As at 30 June 2008, DCH operated 17 showrooms for 11 brands in Hong Kong.

During the period, we are expanding our motor related business by entering into lubrication oil manufacturing, which is in line with our strategy of going upstream. In July 2008, the Group signed a Letter of Intend with UMW Holdings Berhad ("UMW"), a publicly listed company in Malaysia, to form a joint venture to establish a lubrication oil blending plant in the DCH Xinhui Logistics Park. The blending plant, 40.0% owned by DCH and 60.0% owned by UMW, will have an initial production capacity of 50 million liters per year. With an annual consumption of 6 billion liters of lubrication oil in 2007, China is the second largest lubricant market in the world. The blending plant will allow the Group to capture the strong demand in the market and also produce and distribute its own lubricant brands.

The 2008 Beijing Olympics officially opened on 8 August 2008, DCH is proud to take part in the events. As the official transportation solutions provider to both of the 2008 Olympics Equestrian and 2008 Paralympics Equestrian events in Hong Kong from August to September, the Group was contracted to provide transportation for all the athletes and participants of the events. The service contracts for the events amount to over HK$80 million.

Food and Consumer Products Business

Food and Consumer Products Business achieved turnover of HK$3,001 million, an increase of 16.9% compared to last year's HK$2,567 million; of which about 87.3% of the turnover were from food. Segment profit increased by 39.7% to HK$88 million and segment profit margin improved from last year's 2.5% to 2.9%.

Mainland China

Despite the strong inflationary pressure impacted the market consumption of Mainland China, our turnover from the Mainland increased by 22.4% to HK$1,148 million for the six months, backed by the strong sales in food commodities such as poultry and beef and FMCG products.

Fast Moving Consumer Goods

Market sentiment in the Mainland was mixed in the first half of 2008. While the market consumption has been strong, it was impacted somewhat by the inflationary pressure, and the anticipation of the 2008 Beijing Olympics has to a certain extent boosted consumption. Performance of the Group's key FMCG brands like *Almond Roca*, *Ferrero*, *Pocari Sweat* and *UHA* remained encouraging.

The acquisition of Shanghai Sunny Life Enterprise, completed in the first half of 2008, strengthened the Group's product portfolio and distribution network, especially in Eastern China. The Group will continue to explore opportunities for M&A to enhance its distribution channels and agency network as well synergize with existing operations.

Food Commodities

Demand for the Group's frozen foods and edible oils remained strong for the six months amid high inflationary pressure in Mainland China and that translated into good growth in the first half of 2008.

With the production line for fractionated oil scheduled to commence operation in Xinhui in the third quarter of 2008, revenues in the edible oil can be further enhanced.

Hong Kong and Macao

In the first half of 2008, turnover of Food and Consumer Products Business that generated from Hong Kong and Macao increased by 17.4% to HK$1,534 million, attributable to the encouraging performance of the catering segment, strong demand for beef, poultry, seafood and edible oil. Albeit surging food prices, the profit margin of key products and brands improved when compared to last year.

Food Commodities

Although overall sentiment was affected by the persistently high commodity prices in the first six months of 2008, the Group achieved reasonable growth during the period. Growth of the Group's food commodities business for the six months was driven by both volume and sales, among which edible oil recorded a significant growth compared to the same period last year, mainly attributable to the price hike following international price trend. Sales of beef, poultry and seafood also contributed to the growth in the first six months.

Furthermore, the catering segment especially sales to fast food chains, hotels and restaurants had strong growth during the period, which lifted sales of the Group. The Yuen Long food processing centre is scheduled to begin operation by the first quarter of 2009. By then, the Group will have an expanded food processing capacity to support growing demand from different customers. The Group is currently exploring opportunities to go upstream through M&A and build itself as a fully integrated food supply chain services provider in Hong Kong and Macao.

Fast Moving Consumer Goods

Key retail brands such as *Barilla*, *Fibe-Mini*, *Ovaltine* and *Tulip* maintained strong growth in both sales amount and volume in the first half of 2008, and the business was also supported by sales from new brands including *Soyjoy* and *OSC*. Performance of the Group's catering segment was encouraging with sales of brands such as *Hunts*, *Twinings* and *Enrich* private label all reporting significant growth compared to the same period last year, with new sales coming from *Campbell's* and *OSC*.

Retail Food Business

As of 30 June 2008, DCH operated 59 retail outlets i.e. 52 DCH Food Mart outlets and 7 DCH Food Mart Deluxe outlets, the latter selling premium gourmet food products. The Group planned to have 65 retail outlets by the end of 2008. Gross profit per square foot increased 10.0% when compared to the same period last year.

Consumer Products

The electrical appliance division recorded a steady growth in the first half year, with sales and marketing efforts focused mainly on integrated digital TV set (iDTV) and seasonal products such as air conditioner. The Group will continue to explore opportunities for new residential developments projects with built-in appliances as a feature.

Shiseido's retail presence was further enhanced with a 28.0% increase in outlet points to about 1,500 by the end of June 2008.

Logistics Business

Turnover of the Logistics Business reported a steady growth of 8.2% to HK$92 million, as compared to last year's HK$85 million. However, segment profit dropped by 20.0% to HK$8 million. Segment profit margin was 8.7% compared to last year's 11.8%. The business was still at an investment stage awaiting the completion of various projects in Hong Kong and Mainland China. We believe, once the infrastructures are completed, we could achieve great leaps in both turnover and profits.

Mainland China

In the first half of 2008, the segment devoted much effort to construct warehousing facilities including a cold chain in the Xinhui logistics centre. The cold storage is scheduled to commence operation in the first quarter of 2009.

Hong Kong and Macao

Thanks to the robust economic growth in Hong Kong and Macao, our Logistics Business maintained good growth for the first six months. Turnover from Hong Kong and Macao recorded a growth of 14.7% to HK$86 million, backed by the strong market demand for cold storage spaces in Hong Kong. The Yuen Long logistics centre with cold storage is expected to start operation by the fourth quarter of 2008 and we will be able to grow the business further.

In view of the strong logistics services demand in Macao, we will continue to expand our warehousing capacity to capture the growth and further expand our business. In addition, we have started trial food inspection business for a major hotel operator in the first half year through a joint venture with the Macau University of Science and Technology.

OUTLOOK

The first half of 2008 marked the beginning of another year of strong organic growth for DCH, especially for motor business in both of Mainland China and Hong Kong markets.

With uncertainty looming in the global economy, we expect the operating environment for various business segments to be rather tough in the second half of the year. Nevertheless, we are confident of the Group's overall performance in the remaining six months of the year. While we will continue to grow organically, the Group will benefit from the M&A efforts made in the first half of the year.

Motor and Motor Related Business

The Motor and Motor Related Business geared the fast expansion in the first half of 2008, with three 4S shops and one new brand added, bringing the total at 33 4S shops for 19 brands. With M&A targets secured and several new 4S shops in the pipeline, the Group's network of 4S shops will continue to expand to 43 by the end of the year. To speed up the dealership expansion and enhance the quality of its brand portfolio, the Group has forged a strategic partnership with Denker Investment Limited, a sizeable city dealership operator in Mainland China, to jointly develop *Lexus* and *FAW Toyota* dealership projects. We believe that the alliance will allow the Group to have greater leverage in expanding network in Mainland China and obtaining dealership of new quality brands.

We believe the Mainland China motor market will continue to consolidate in the years to come which will provide us with good opportunities for M&A; and will in turn allow the Group to speed up the expansion of the 4S shops in Mainland China.

While our ongoing strategy is to strengthen the presence by expanding the network in Mainland China by adding about 6 to 10 4S shops per year in the next two to three years, we will work on improving the quality of our dealership portfolio and enhance the profitability of the Group.

As for the upstream business, we shall continue to explore opportunities in complimenting our parts and accessory distribution business in Mainland China and overseas.

Food and Consumer Products Business

With an aim to build DCH as a leading fully integrated food supply chain services provider, the Group will expand vertically from distribution and retail to upstream business of food manufacturing and processing by M&A. Significant progress made in August 2008 by acquiring Polyfood Food Service Co. Limited ("Polyfood"), a food manufacturing and processing company which specializes in niche market in Hong Kong. Polyfood will not only synergize with our existing business and retail business but also will be a vehicle of the Group to expand into food processing business.

While expanding the business into upstream by M&A, the Group is working on the infrastructure to speed up the developments. The Yuen Long food processing centre, with high hygiene standard and meeting the HACCP requirement, is expected to start operation by the first quarter of 2009. In addition, a food processing centre will be built in the Xinhui logistics centre to capture the surging demand in the Pearl River Delta.

Following the Group's vertical integration strategy and building on the strong distribution platform of electrical appliance, we will engage in manufacturing of consumer products by acquiring Guangdong Victory Electrical Appliances Manufacturing Co., Ltd. ("VTR"). VTR is specialized in manufacturing premium small home electrical appliances and believed to capture about 20.0% world electrical kettle market through OEM to renowned brands such as *Kenwood*, *Braun*, *Siemens*, *Meyer* and *SEB*. The acquisition will not only enable us to achieve higher margin by going upstream, but also will allow us to capture the overseas markets and the vast business potential of small home electrical appliance market in Mainland China. The acquisition is expected to be completed in the second half of the year.

Logistics Business

With a vision to become a leading logistics services provider in the Pearl River Delta, we have forged seamless cross-border connection among Xinhui, Hong Kong and Macao. Currently, we are constructing a cold storage facility in the Yuen Long logistics centre; various cold storage, bonded warehouse and third-party distribution centres in the Xinhui logistics centre.

APPRECIATION

I would like to take this opportunity to thank the Directors, management team and staff members for their contributions and dedications to growing the Group's business. My gratitude also goes to our shareholders, business partners and customers for their continuous support.

Hui Ying Bun
Chairman

Hong Kong, 26 August 2008

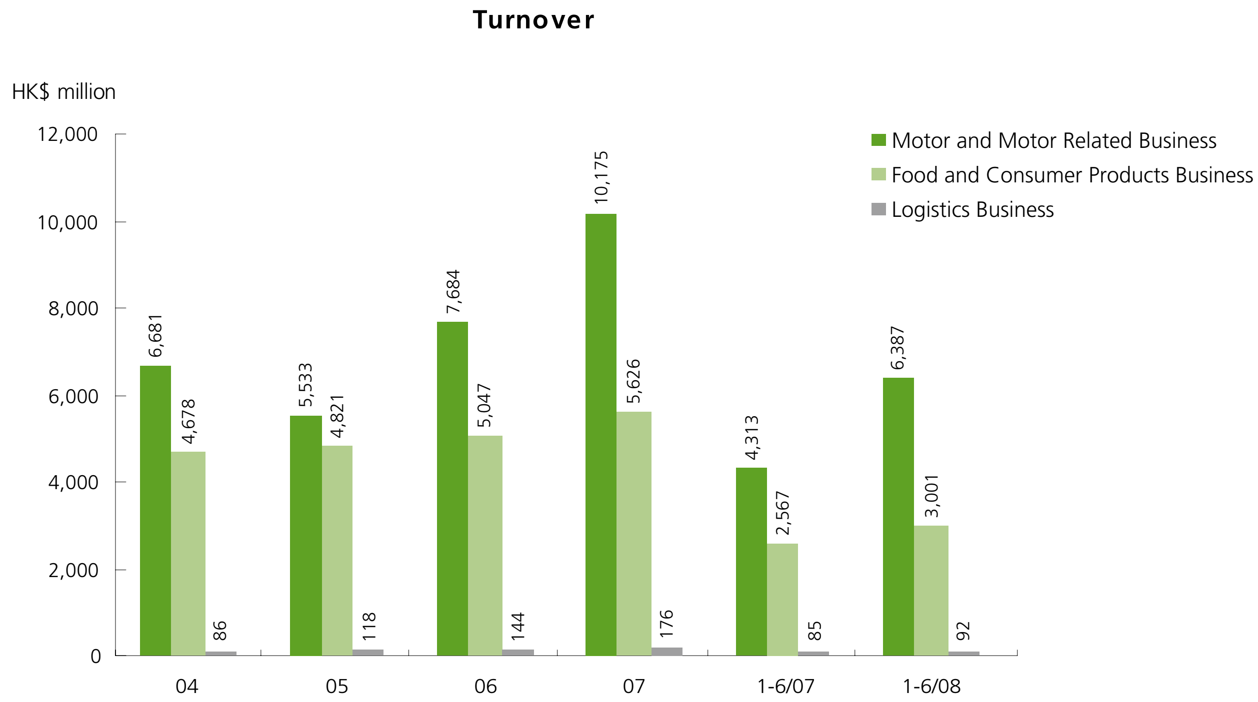
FINANCIAL REVIEW

INTRODUCTION

The Group's 2008 Interim Report includes a letter from the Chairman to shareholders, the condensed consolidated interim financial statements and other information required by accounting standards, legislation, and The Stock Exchange of Hong Kong Limited. This Financial Review is designed to assist the reader in understanding the information by discussing the contribution of each business segment and the financial position of the Group as a whole.

TURNOVER

Turnover for the first six months of 2008 increased by 36.2% as compared with the same period of 2007 which is mainly attributable to the followings:



- ### Motor and Motor Related Business

  The turnover of Motor and Motor Related Business increased by 48.1% from HK$4,313 million for the first six months of 2007 to HK$6,387 million for the same period of 2008. The increase is mainly due to vigorous demand for commercial vehicles and premium brand vehicles in Mainland China; and increase in demand for environmental friendly private vehicles and premium brand vehicles in Hong Kong market.

- ### Food and Consumer Products Business

  The turnover of Food and Consumer Products Business increased by 16.9% from HK$2,567 million for the first six months of 2007 to HK$3,001 million for the same period of 2008. The increase is mainly due to encouraging sales growth in food commodities in particular frozen foods and edible oil, attributable to the price hike of food commodities in the international market and increase in sales for key brands of FMCG in both Hong Kong and Mainland China market.

- ### Logistics Business

  The turnover of Logistics Business grew steadily by 8.2% from HK$85 million for the first six months of 2007 to HK$92 million for the same period of 2008.

BUSINESS SEGMENT PROFIT

The segment profit by major business for the first six months of 2008, compared with the same period of 2007 were:

HK$ million	**1-6/2008**	1-6/2007	Change
Motor and Motor Related Business	**359**	202	157
Food and Consumer Products Business	**88**	63	25
Logistics Business	**8**	10	(2)

Note: Segment profit represents profit before taxation from each business operation (before elimination of inter-segment transactions) without absorbing finance costs and unallocated operating income and expenses, and excluding share of profits less losses of associates and jointly controlled entities as well as net valuation gain on investment properties.

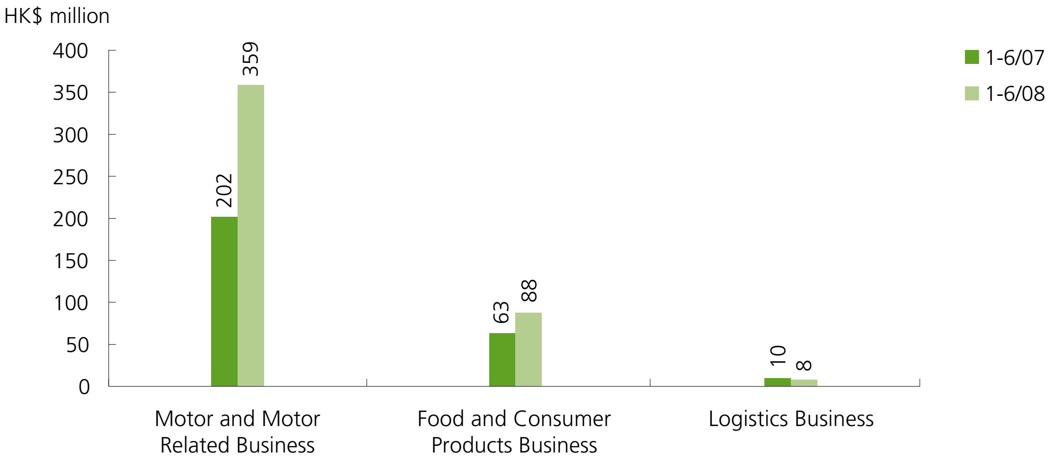
Compared the business segment profit for the first six months of 2008 with the same period of 2007:

- ### Motor and Motor Related Business
  Segment profit increased significantly by 77.7% to HK$359 million due to the increase in sales of motor vehicles in Mainland China and Hong Kong market and the improvement in segment profit margin with the increase in sales of premium brand vehicles.

- ### Food and Consumer Products Business
  Segment profit increased significantly by 39.7% to HK$88 million due to encouraging sales growth in food commodities and FMCG in both Hong Kong and Mainland China market and segment profit margin improved with the price increase in food commodities in the international market.

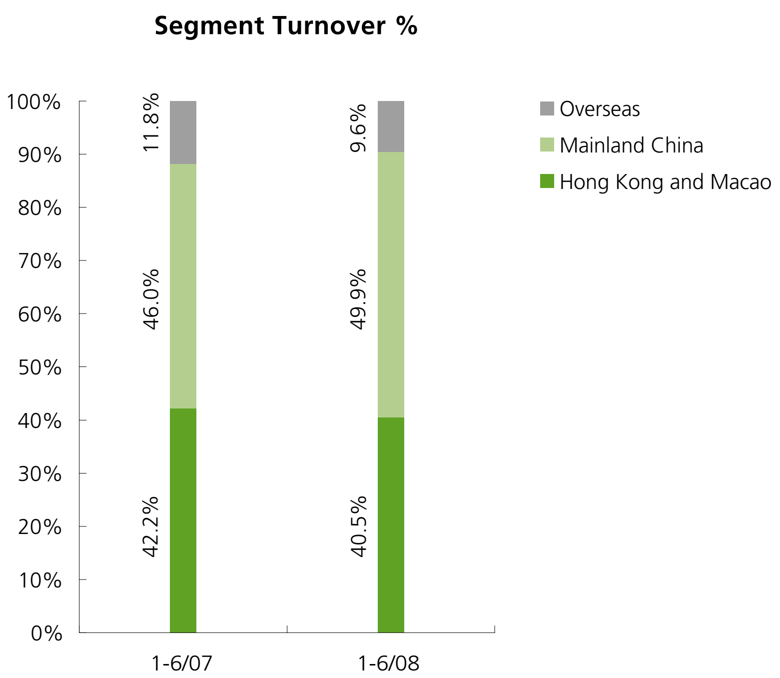
- ### Logistics Business
  Segment profit decreased by 20.0% to HK$8 million. The Group has devoted much effort to expand warehousing capacity in Mainland China and Hong Kong. Contribution from the new customers is expected to improve the profit margin in future.

Segment Profit



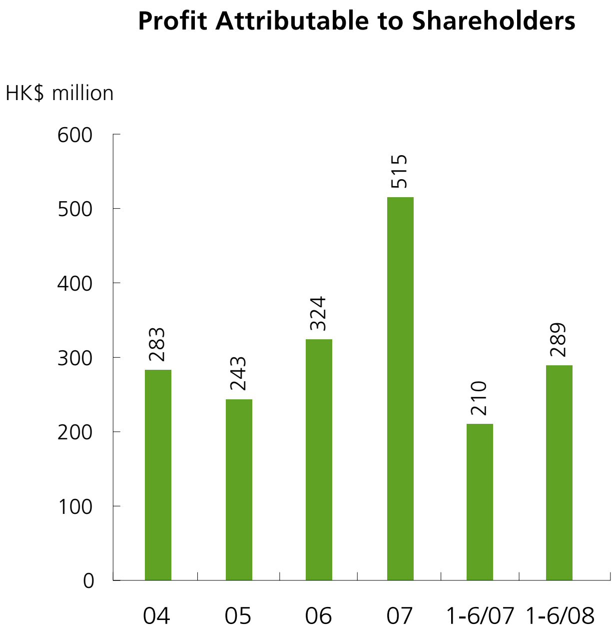
GEOGRAPHICAL SEGMENT

The division of turnover between Hong Kong and Macao, Mainland China and overseas is shown below. Segment turnover is based on the geographical location of the customers.

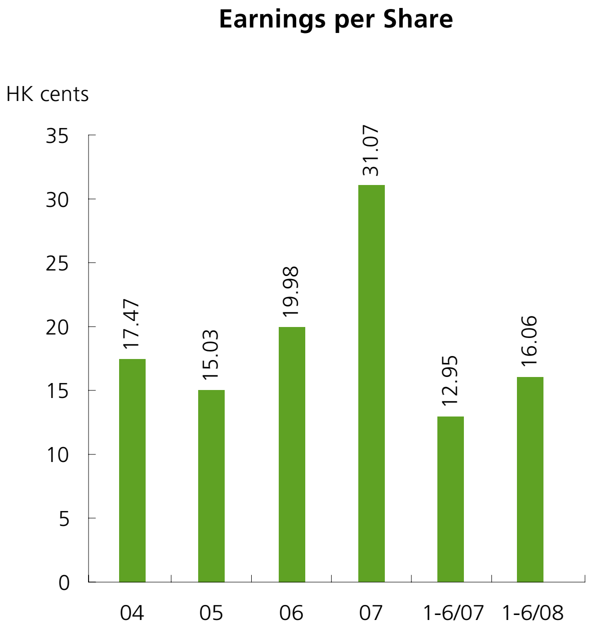


PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders of the Company for the first six months of 2008 was HK$289 million, an increase of 37.6% as compared with HK$210 million for the same period of 2007.



EARNINGS PER SHARE



The calculation of earnings per share is based on the profit attributable to shareholders of the Company and the weighted average of 1,799,381,011 ordinary shares in issue during the period (weighted average of 1,657,479,452 ordinary shares in issue for the year ended 31 December 2007; 1,620,000,000 ordinary shares (after adjusting for the capitalisation issue in 2007) for the years ended 31 December 2004, 2005 and 2006 and for the six months ended 30 June 2007). Earnings per share was 16.06 HK cents for the first half of 2008, an increase of 24.0% as compared with 12.95 HK cents for the same period of 2007. The increase in earnings per share was mainly attributable to the increase in profit.

DIVIDEND PER SHARE

An interim dividend of 6.43 HK cents per share was declared after the balance sheet date for the first half of 2008.

FINANCE COSTS

The Group's interest expense increased from HK$23 million for the first six months of 2007 to HK$54 million for the same period of 2008 mainly due to new bank borrowings to finance business expansion in both Mainland China and Hong Kong.

INCOME TAX

Income tax increased from HK$65 million for the first half of 2007 to HK$95 million for the same period of 2008 mainly due to the increase in profit from operations in particular profit from Mainland China.

SHAREHOLDERS' FUNDS PER SHARE

The calculation of shareholders' funds per share is based on the total equity attributable to shareholders of the Company of HK$4,630 million and the total of 1,799,298,000 shares issued at 30 June 2008. Shareholders' funds per share at 30 June 2008 was HK$2.57 (31 December 2007: HK$2.38 for 1,800,000,000 shares).

CAPITAL EXPENDITURE

During the first half year of 2008, the Group's capital expenditure was HK$194 million and major usages were summarised as follows:

Motor and Motor Related Business:	For developing new city dealerships in Mainland China and renewal of motor leasing fleet in Hong Kong
Food and Consumer Products Business:	Fixture and fittings
Logistics Business:	Construction of logistics centres in Mainland China and Hong Kong
Others:	Fixture and fittings

HK$ million	**1-6/2008**	1-6/2007	1-12/2007
Motor and Motor Related Business	**119**	65	223
Food and Consumer Products Business	**22**	14	28
Logistics Business	**50**	4	101
Others	**3**	3	9
Total	**194**	86	361

USE OF PROCEEDS

The net proceeds of the Global Offering of the Group on 17 October 2007 amounted to approximately HK$1,003 million; up to end of June 2008, HK$124.9 million was used by Motor and Motor Related Business for investment and acquisition of 4S shops in Mainland China, HK$45.4 million was used by Food and Consumer Products Business for investment in new business and new shops for foodmart, and HK$108.9 million was used by Logistics Business for development of logistics centres in Mainland China and Hong Kong.

TREASURY POLICY AND RISK MANAGEMENT

General Policies

The Group aims to maintain a high degree of financial control, a conservative risk management and the best utilisation of financial resources.

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

Operating entities outside Hong Kong are responsible for their own cash management and closely monitored by the head office. Overseas financing activities are reviewed and approved by the head office before execution.

Foreign Currency Exposure

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

The Group enters into foreign currency contracts primarily for hedging its sales and purchases that are denominated in currencies other than the functional currency of its operations. As at 30 June 2008, the Group recognised foreign currency forward contracts of net fair value totalling HK$6 million.

Interest Rate Exposure

The Group's bank borrowings are on a floating rate basis. As at 30 June 2008, the Group had not employed interest rate derivative instruments.

The Group had entered into a number of interest rate swaps in July 2008 to fix the interest rate of its HK$300 million borrowings so as to reduce the impact of interest rate fluctuation.

Employment of Derivative Products

Derivative products are used by the Group to hedge its exposure to fluctuation in interest rates and foreign currencies. Speculative trading in derivatives is prohibited. Counterparties' credit risks are carefully reviewed and the Group only deals with financial institutions with investment grade credit rating.

CASH FLOW

Summary of Consolidated Cash Flow Statement

HK$ million	**1-6/2008**	1-6/2007
Net cash generated from operating activities	**90**	131
Net cash used in investing activities	**(155)**	(68)
Net cash generated from/(used in) financing activities	**28**	(188)
Net decrease in cash and cash equivalents	**(37)**	(125)

Net cash generated from operating activities

Net cash generated from operating activities was HK$90 million for the six months ended 30 June 2008 as compared to HK$131 million for the same period of 2007. The decrease in net cash generated from operating activities was due to the increase in inventories of HK$398 million (1-6/2007: HK$230 million) for supporting the expansion of motor business and food operations.

Net cash used in investing activities

Net cash used in investing activities was HK$155 million for the six months ended 30 June 2008 as compared to HK$68 million for the same period of 2007. The increase in net cash used in investing activities was primarily due to increase in payment for purchase of fixed assets of HK$176 million (1-6/2007: HK$86 million).

Net cash generated from/(used in) financing activities

Net cash generated from financing activities was HK$28 million for the six months ended 30 June 2008. This was mainly due to net proceeds from new bank loans of HK$100 million (1-6/2007: HK$36 million), net off against interest payment of HK$54 million (1-6/2007: HK$23 million) and payment of final dividend of HK$38 million.

Net cash used in financing activities for the six months ended 30 June 2007 mainly represented the repayment of advances of HK$202 million from ultimate holding company.

GROUP DEBT AND LIQUIDITY

The financial position of the Group as at 30 June 2008, as compared to 31 December 2007, is summarised as follows:

HK$ million	**30 June 2008**	31 December 2007
Total debt	**2,142**	1,947
Cash and bank deposits	**(1,674)**	(1,653)
Net debt	**468**	294

The original currency denomination of the Group's borrowings as well as cash and bank deposit balances as at 30 June 2008 is summarised as follows:

HK$ million equivalent	**HKD**	**RMB**	**JPY**	**CAD**	**SGD**	**Others**	**Total**
Total debt	612	1,077	339	57	19	38	2,142
Cash and bank deposits	(729)	(683)	(135)	(4)	(24)	(99)	(1,674)
Net (cash) / debt	(117)	394	204	53	(5)	(61)	468

Leverage

The Group closely monitors its gearing ratio so as to optimise its capital structure and ensure the Group's ability to continue as a going concern.

The gearing ratio is defined as net debt divided by total capital. Net debt is calculated as total bank borrowings less cash and bank deposits. Total capital is calculated as shareholders' funds (i.e. total equity attributable to shareholders of the Company) plus net debt.

HK$ million	**30 June 2008**	31 December 2007
Net debt	**468**	294
Shareholders' funds	**4,630**	4,282
Total capital	**5,098**	4,576
Gearing ratio	**9.2%**	6.4%

As at 30 June 2008, the Group's gearing ratio was 9.2%, as compared to 6.4% at 31 December 2007. Total debt increased in the first six months of 2008 mainly because of business expansion in Mainland China. The effective interest rate of the Group's borrowings as at 30 June 2008 was 4.6% as compared to 5.1% as at 31 December 2007.

Maturity Profile of Outstanding Debt

The Group manages its debt maturity profile actively based on its cash flow and refinancing ability during debt maturity.

	HK$ million	% of total
Maturity within 1 year	**1,606**	75%
Maturity 1-2 years	**38**	2%
Maturity 3-5 years	**498**	23%
Total	**2,142**	100%

Available Sources of Financing

In addition to cash and bank deposits of HK$1,674 million as at 30 June 2008, the Group had undrawn available loan facilities totalling HK$2,088 million, of which HK$600 million was in committed term loans and revolving loans facilities and HK$1,488 million of uncommitted money market lines. It also had available uncommitted trading facilities amounting to HK$2,940 million. Borrowings by sources of financing as at 30 June 2008 is summarised as follows:

HK$ million	Total	Utilised	Available
Committed Facilities:			
Term Loans and Revolving Loans	1,150	550	600
Uncommitted Facilities:			
Money Market Lines	2,638	1,150	1,488
Trading Facilities	4,270	1,330	2,940

Pledged Assets

As at 30 June 2008, the Group's assets of HK$423 million (31 December 2007: HK$327 million) were pledged in relation to financing of discounted bills in Japan and leasing of vehicles in Canada.

Capital Commitments

The Group's capital commitments in respect of property, plant and equipment outstanding as at 30 June 2008 was HK$288 million (31 December 2007: HK$245 million), of which HK$66 million (31 December 2007: HK$13 million) has been contracted but not provided for and HK$222 million (31 December 2007: HK$232 million) has been authorised but not contracted for.

Contingent Liabilities

As at 30 June 2008, the Group has issued guarantees of HK$83 million to banks in respect of banking facilities granted to and utilised by an associate (31 December 2007: granted HK$51 million and utilised HK$45 million).

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

As at 30 June 2008, the Group had complied with all of its loan covenants.

HUMAN RESOURCES

At the end of June 2008, the total number of employees was 8,616. There were 3,844 employees in Hong Kong, 4,535 employees in Mainland China and the rest 237 in Singapore, Japan and Canada.

The active employment market and the continuous business expansion have led to an increase in the demand for talent. To ensure that overall compensation is internally equitable, externally competitive, and in support of the business strategy, the Group proactively conducts reviews of cash compensation and benefit programs that are provided to its employees.

The Group has continued its commitment to enhancing the capability of its employees. In-house training programs for different levels of employees are organized on a regular basis to provide product knowledge and skills improvement. Employees are also encouraged to improve themselves through further studies and are supported with financial sponsorship from the Group. Moreover, with the growing cross-border business activities between Hong Kong and Mainland China, the Group continues to strengthen business integration, knowledge sharing and skill transfer between staff in these locations.

Enrichment of work and personal lives of employees is also promoted by the Group. Social and recreational activities, as well as community volunteering work are organized for the participation of the employees and their family members. The Group also organizes donation programs, matching contributions from employees, to support the campaigns of charitable organizations. To help victims of the Sichuan earthquake, the Group not only made donations itself, but also mobilized its employees in Hong Kong and Mainland China to give donations.

To pursue continuous improvement in management quality, the Group has started a Quality Management Enhancement Program in Hong Kong with the specific objectives of improving profitability, efficiency and customer service. Various project teams, with members from different units, have been formed to study and work on areas of priority for the Group.

CONSOLIDATED INCOME STATEMENT

HK$ million	Note	Six months ended 30 June **Unaudited** **2008**	 Audited 2007
Turnover	2	**9,519**	6,989
Cost of sales		**(8,216)**	(5,934)
Gross profit		**1,303**	1,055
Net valuation gain on investment properties		**27**	61
Other income		**125**	71
Selling and distribution expenses		**(529)**	(480)
Administrative expenses		**(483)**	(410)
Profit from operations		**443**	297
Finance costs	3	**(54)**	(23)
Share of (losses)/profits of associates		**(29)**	2
Share of profits of jointly controlled entities		**29**	22
Profit before taxation	4	**389**	298
Income tax	5	**(95)**	(65)
Profit from continuing operations		**294**	233
Discontinued operations			
Loss from discontinued operations	6(a)	**–**	(18)
Profit for the period		**294**	215
Attributable to:			
Shareholders of the Company		**289**	210
Minority interests		**5**	5
		294	215
Dividends	7(a)	**116**	–
Basic and diluted earnings/(losses) per share	8		
From continuing and discontinued operations (HK cents)		**16.06**	12.95
From continuing operations (HK cents)		**16.06**	14.08
From discontinued operations (HK cents)		**–**	(1.13)

CONSOLIDATED BALANCE SHEET

HK$ million	Note	**Unaudited 30 June 2008**	Audited 31 December 2007
Non-current assets			
Fixed assets			
– Property, plant and equipment	9	**918**	810
– Investment properties	10	**837**	786
		1,755	1,596
Lease prepayments	11	**177**	160
Intangible assets		**42**	42
Goodwill	19	**178**	169
Interest in associates		**115**	138
Interest in jointly controlled entities		**213**	165
Other financial assets		**5**	37
Deferred tax assets		**26**	27
		2,511	2,334
Current assets			
Inventories		**2,354**	1,947
Trade and other receivables	12	**2,929**	2,871
Current tax recoverable		**10**	6
Cash and bank deposits	13	**1,674**	1,653
		6,967	6,477
Current liabilities			
Bank loans and overdrafts			
– secured		**395**	328
– unsecured		**1,211**	1,067
Trade and other payables	14	**2,276**	2,192
Current tax payable		**112**	85
		3,994	3,672
Net current assets		**2,973**	2,805
Total assets less current liabilities		**5,484**	5,139
Non-current liabilities			
Bank loans			
– secured		**1**	2
– unsecured		**535**	550
Deferred tax liabilities		**185**	196
		721	748
Net assets		**4,763**	4,391
Capital and reserves			
Share capital	15	**270**	270
Reserves		**4,360**	4,012
Total equity attributable to shareholders of the Company		**4,630**	4,282
Minority interests		**133**	109
Total equity		**4,763**	4,391

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Audited For the six months ended 30 June 2007 Attributable to shareholders of the Company												
HK$ million	Share capital	General reserve	Capital reserve	Statutory surplus reserve	Merger reserve	Exchange fluctuation reserve	Asset revaluation reserve	Hedging reserve	Fair value reserve	Retained profits	Total	Minority interests	Total equity
At 1 January 2007	210	238	137	9	1	178	2	3	119	2,758	3,655	108	3,763
Capital injection by minority shareholders	–	–	–	–	–	–	–	–	–	–	–	1	1
Acquisition of interests from minority shareholders	–	–	–	–	–	–	–	–	–	–	–	(1)	(1)
Exchange differences on translation of the financial statements of entities outside Hong Kong:													
– subsidiaries	–	–	–	–	–	(2)	–	–	–	–	(2)	2	–
– associates and jointly controlled entities	–	–	–	–	–	4	–	–	–	–	4	–	4
Cash flow hedge: effective portion of changes in fair value	–	–	–	–	–	–	–	4	–	–	4	–	4
Cash flow hedge: transfer from equity to initial carrying amount of non-financial hedged items	–	–	–	–	–	–	–	(3)	–	–	(3)	–	(3)
Changes in fair value of available-for-sale equity securities	–	–	–	–	–	–	–	–	35	–	35	–	35
Disposal of associates	–	–	(3)	–	–	–	–	–	–	–	(3)	–	(3)
Transfer from retained profits	–	2	–	–	–	–	–	–	–	(2)	–	–	–
Profit for the period	–	–	–	–	–	–	–	–	–	210	210	5	215
At 30 June 2007	210	240	134	9	1	180	2	4	154	2,966	3,900	115	4,015

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

HK$ million	Share capital (note 15)	Share premium	General reserve	Capital reserve	Statutory surplus reserve	Merger reserve	Share option reserve	Exchange fluctuation reserve	Asset revaluation reserve	Retained profits	Total	Minority interests	Total equity
	Unaudited For the six months ended 30 June 2008 Attributable to shareholders of the Company												
At 1 January 2008	270	976	237	143	20	1	27	257	2	2,349	4,282	109	4,391
Capital injection by minority shareholders	–	–	–	–	–	–	–	–	–	–	–	14	14
Repurchase of own shares	–	–	–	–	–	–	–	–	–	(2)	(2)	–	(2)
Acquisition of interests from minority shareholders	–	–	–	–	–	–	–	–	–	–	–	(2)	(2)
Exchange differences on translation of the financial statements of entities outside Hong Kong:													
– subsidiaries	–	–	–	–	–	–	–	87	–	–	87	7	94
– associates and jointly controlled entities	–	–	–	–	–	–	–	12	–	–	12	–	12
Profit for the period	–	–	–	–	–	–	–	–	–	289	289	5	294
Dividends (note 7(b))	–	–	–	–	–	–	–	–	–	(38)	(38)	–	(38)
At 30 June 2008	270	976	237	143	20	1	27	356	2	2,598	4,630	133	4,763

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

		Six months ended 30 June	
		Unaudited	Audited
HK$ million	Note	**2008**	2007
Net cash generated from operating activities		**90**	131
Net cash used in investing activities		**(155)**	(68)
Net cash generated from/(used in) financing activities		**28**	(188)
Net decrease in cash and cash equivalents		**(37)**	(125)
Cash and cash equivalents at 1 January		**1,618**	697
Effect of foreign exchange rates changes		**31**	11
Cash and cash equivalents at 30 June	13	**1,612**	583

Major non-cash transaction:

As part of the disposal of Dah Chong Hong (Engineering) Limited and its subsidiaries (collectively known as "DCH (Engineering) Group") during the six months ended 30 June 2007, the loans to DCH (Engineering) Group of HK$44.6 million was assigned to the ultimate holding company at a consideration of HK$44.6 million.

1. BASIS OF PREPARATION

The condensed unaudited consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure provision of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies used in preparation of these condensed interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2007 except for the adoption of new Hong Kong Financial Reporting Standards ("HKFRS") and Interpretations which are effective for accounting periods beginning on or after 1 January 2008 as set out below:

HK(IFRIC) 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) 12	Service Concession Arrangements

The adoption of the above new accounting standards, amendments and interpretations does not have any significant effect on the accounting policies or interim results and financial position of the Group.

The Group has not early adopted the following new or amended HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the application of these HKFRSs will have no material impact on the financial statements of the Group.

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 8	Operating Segments
HK(IFRIC) 13	Customer Loyalty Programmes

2. SEGMENT REPORTING

An analysis of the Group's turnover and profit from operations by business segment is as follows:

HK$ million **Unaudited** **Six months ended 30 June 2008**	**Motor and Motor Related Business**	**Food and Consumer Products Business**	**Logistics Business**	**Others**	**Inter-segment elimination**	**Total**
Turnover						
External customers	**6,387**	**3,001**	**92**	**39**	**–**	**9,519**
Inter-segment revenue	**2**	**–**	**47**	**21**	**(70)**	**–**
Total	**6,389**	**3,001**	**139**	**60**	**(70)**	**9,519**
Segment profit	**359**	**88**	**8**	**33**	**–**	**488**
Net valuation gain on investment properties						**27**
Unallocated operating income and expenses						**(72)**
Profit from operations						**443**

HK$ million Audited Six months ended 30 June 2007	Motor and Motor Related Business	Food and Consumer Products Business	Logistics Business	Others	Inter-segment elimination	Total
Turnover						
External customers	4,313	2,567	85	24	–	6,989
Inter-segment revenue	2	–	30	13	(45)	–
Total	4,315	2,567	115	37	(45)	6,989
Segment profit	202	63	10	35	–	310
Net valuation gain on investment properties						61
Unallocated operating income and expenses						(74)
Profit from operations						297

3. FINANCE COSTS

HK$ million	Six months ended 30 June **Unaudited** **2008**	 Audited 2007
Interest on bank advances and other borrowings repayable within five years	**54**	23

4. PROFIT BEFORE TAXATION

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

HK$ million	Six months ended 30 June **Unaudited** **2008**	 Audited 2007
Amortisation of lease prepayments	**2**	2
Amortisation of intangible assets	**3**	3
Depreciation	**73**	65
Net write down of inventories	**2**	20
Impairment losses provided		
– fixed assets	**4**	–
– trade debtors	**5**	1
– amount due from a jointly controlled entity	**–**	2
– amount due from an associate	**–**	3
Net gain on disposal of fixed assets	**(1)**	(4)
Net gain on disposal of subsidiaries	**–**	(3)
Net gain on disposal of unlisted available-for-sale equity securities	**(1)**	–
Net loss on disposal of associates	**–**	3
Dividend income from listed investment	**–**	(2)
Interest income	**(13)**	(8)

5. INCOME TAX

Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) on the estimated assessable profit for the period. Overseas taxation is calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates. Tax provisions are reviewed regularly to take into account changes in legislation, practice and status of negotiations.

Income tax charge in the consolidated income statement represents:

	Six months ended 30 June	
	Unaudited	Audited
HK$ million	**2008**	2007
Continuing operations		
Current income tax – Hong Kong Profits Tax		
– Provision for the period	**31**	31
– Under/(over)-provision in previous years	**1**	(3)
	32	28
Current income tax – Outside Hong Kong		
– Provision for the period	**75**	30
– Under-provision in previous years	**5**	5
	80	35
Deferred tax		
– Origination and reversal of temporary differences	**(15)**	2
– Effect of change in tax rate	**(2)**	–
	(17)	2
	95	65

(i) No provision for Hong Kong Profits Tax was made for the discontinued operations as the companies had sustained tax losses for the six months ended 30 June 2007.

(ii) There was no income tax of associates for the six months ended 30 June 2007 and 2008.

(iii) Share of jointly controlled entities' income tax for the six months ended 30 June 2008 of HK$6 million (2007: HK$7 million) is included in the share of profits of jointly controlled entities.

6. DISCONTINUED OPERATIONS

On 29 June 2007, the Group's operations in provision of construction works were discontinued following the disposal of DCH (Engineering) Group to a wholly-owned subsidiary of CITIC Pacific Limited ("CITIC Pacific") at carrying value. The disposal has resulted in a net gain of HK$2 million for the six months ended 30 June 2007.

(a) The results of the discontinued operations for the period up to the date of disposal on 29 June 2007 were as follows:

HK$ million	Audited 2007
Turnover	40
Cost of sales	(51)
Gross loss	(11)
Selling and distribution expenses	(1)
Administrative expenses	(6)
Loss for the period	(18)

(b) The cash flows of the discontinued operations for the period up to the date of disposal on 29 June 2007 were as follows:

HK$ million	Audited 2007
Net cash generated from operating activities	9
Net cash used in investing activities	(9)
Net cash used in financing activities	(5)
Net decrease in cash and cash equivalents	(5)

7. DIVIDENDS

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

	Six months ended 30 June	
	Unaudited	Audited
HK$ million	**2008**	2007
Interim dividend declared after the balance sheet date of 6.43 HK cents per share (2007: Nil)	**116**	–

The above interim dividend declared after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) Dividends attributable to the previous year, approved and paid during the period are as follows:

	Six months ended 30 June	
	Unaudited	Audited
HK$ million	**2008**	2007
2007 final dividend approved and paid of 2.13 HK cents per share (2006: Nil)	**38**	–

8. BASIC AND DILUTED EARNINGS/(LOSSES) PER SHARE

(a) Basic earnings/(losses) per share

(i) From continuing and discontinued operations

The calculation of basic earnings per share for the six months ended 30 June 2008 is based on the profit attributable to shareholders of the Company of HK$289 million (2007: HK$210 million) and the weighted average of 1,799,381,011 ordinary shares (2007: 1,620,000,000 ordinary shares after adjusting for the capitalisation issue) in issue during the period calculated as set out in note 8(a)(iv).

(ii) From continuing operations

The calculation of basic earnings per share from continuing operations for the six months ended 30 June 2008 is based on the profit from continuing operations attributable to shareholders of the Company of HK$289 million (2007: HK$228 million) and the weighted average of 1,799,381,011 ordinary shares (2007: 1,620,000,000 ordinary shares after adjusting for the capitalisation issue) in issue during the period calculated as set out in note 8(a)(iv).

(iii) From discontinued operations

The calculation of basic losses per share from discontinued operations for the six months ended 30 June 2007 is based on the loss from discontinued operations attributable to shareholders of the Company of HK$18 million and the weighted average of 1,620,000,000 ordinary shares after adjusting for the capitalisation issue during the period calculated as set out in note 8(a)(iv).

(iv) Weighted average number of ordinary shares

	Number of ordinary shares	
	Unaudited	Audited
	2008	2007
Issued ordinary shares at 1 January	**1,800,000,000**	21,031,837
Effect of shares repurchased	**(618,989)**	–
Effect of capitalisation issue (note 15)	**–**	1,598,968,163
Weighted average number of ordinary shares at 30 June	**1,799,381,011**	1,620,000,000

(b) Diluted earnings/(losses) per share

The diluted earnings per share for the six months ended 30 June 2008 is not presented as the potential ordinary shares in respect of outstanding share options are anti-dilutive.

There was no diluted potential ordinary shares for the six months ended 30 June 2007 and, therefore, diluted earnings per share was not presented.

9. PROPERTY, PLANT AND EQUIPMENT

HK$ million	Unaudited 30 June 2008	Audited 31 December 2007
Opening net book value	**810**	665
Exchange adjustments	**23**	34
Additions	**185**	337
Disposals	**(23)**	(74)
Transfer	**–**	5
Depreciation and impairment loss	**(77)**	(157)
Closing net book value	**918**	810

10. INVESTMENT PROPERTIES

HK$ million	Unaudited 30 June 2008	Audited 31 December 2007
Opening net book value	**786**	707
Exchange adjustments	**24**	21
Transfer	**–**	(69)
Fair value adjustment	**27**	127
Closing net book value	**837**	786

11. LEASE PREPAYMENTS

HK$ million	Unaudited 30 June 2008	Audited 31 December 2007
Opening net book value	**160**	67
Exchange adjustments	**10**	9
Additions	**9**	24
Transfer	**–**	64
Amortisation	**(2)**	(4)
Closing net book value	**177**	160

12. TRADE AND OTHER RECEIVABLES

HK$ million	**Unaudited 30 June 2008**	Audited 31 December 2007
Trade debtors and bills receivable	**1,433**	1,588
Less: impairment loss for doubtful debts	**(28)**	(23)
	1,405	1,565
Other receivables, deposits and prepayments	**1,173**	1,037
Amounts due from fellow subsidiaries	**–**	25
Amounts due from associates	**200**	90
Amounts due from jointly controlled entities	**144**	138
Derivative financial instruments	**7**	16
Total	**2,929**	2,871

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

HK$ million	**Unaudited 30 June 2008**	Audited 31 December 2007
Within 3 months	**1,317**	1,488
More than 3 months but less than 1 year	**55**	44
Over 1 year	**33**	33
Total trade debtors and bills receivable (net of impairment loss for doubtful debts)	**1,405**	1,565

The Group grants a credit period to its customers of the major business segments as follows:

Business	**Credit terms in general**
Motor and Motor Related Business	Cash on delivery to 90 days
Food and Consumer Products Business	15 to 90 days
Logistics Business	30 to 60 days

13. CASH AND CASH EQUIVALENTS

HK$ million	**Unaudited 30 June 2008**	Audited 31 December 2007
Cash and bank deposits	**1,674**	1,653
Less:		
Bank deposits with maturity over three months from date of deposits	**(7)**	(7)
Bank overdrafts	**(55)**	(28)
Cash and cash equivalents	**1,612**	1,618

14. TRADE AND OTHER PAYABLES

HK$ million	**Unaudited 30 June 2008**	Audited 31 December 2007
Trade creditors and bills payable	**619**	978
Other payables and accrued charges	**1,467**	1,099
Provision for warranties	**143**	105
Amount due to the ultimate holding company	**–**	1
Amounts due to fellow subsidiaries	**2**	1
Amount due to an associate	**13**	–
Amounts due to jointly controlled entities	**9**	4
Amounts due to minority shareholders	**22**	–
Derivative financial instruments	**1**	4
Total	**2,276**	2,192

An ageing analysis of trade creditors and bills payable is as follows:

HK$ million	**Unaudited 30 June 2008**	Audited 31 December 2007
Current or within 1 month	**600**	952
1 to 3 months	**11**	15
3 to 6 months	**3**	6
Over 6 months	**5**	5
Total trade creditors and bills payable	**619**	978

15. SHARE CAPITAL

(a) Authorised and issued share capital

	Unaudited 30 June 2008 Number of shares (million)	**Unaudited 30 June 2008 HK$ million**	Audited 31 December 2007 Number of shares (million)	Audited 31 December 2007 HK$ million
Authorised:				
Ordinary shares of HK$0.15 (2007: HK$0.15) each	**4,000**	**600**	4,000	600
Ordinary shares, issued and fully paid:				
At 1 January	**1,800**	**270**	21	210
Capitalisation issue	**–**	**–**	1,599	33
Repurchase of own shares	**(1)**	**–**	–	–
Shares issued under the global offering	**–**	**–**	180	27
At 30 June / 31 December	**1,799**	**270**	1,800	270

(i) Pursuant to the ordinary resolutions passed on 28 September 2007:

- 2 shares of HK$10 each were allotted and issued to a wholly-owned subsidiary of CITIC Pacific;
- each of the issued and unissued shares of HK$10 each in the share capital of the Company was consolidated into shares of HK$30 each ("Consolidated Shares"), resulting in the issued share capital of the Company being divided into 7,010,613 Consolidated Shares;
- each of the issued and unissued Consolidated Shares was then divided into 200 shares of HK$0.15 each, resulting in the issued share capital of the Company being divided into 1,402,122,600 shares of HK$0.15 each;
- the authorised share capital of the Company was increased from HK$300 million to HK$600 million by the creation of 2,000,000,000 new ordinary shares of HK$0.15 each; and
- 217,877,400 new ordinary shares of HK$0.15 each were allotted and issued as fully paid to wholly owned subsidiaries of CITIC Pacific.

The allotment and issue of shares of the Company mentioned above is referred to as "capitalisation issue".

(ii) On 17 October 2007, an aggregate of 180,000,000 ordinary shares of HK$0.15 each were issued and offered for subscription at a price of HK$5.88 per share upon the listing of the Company's shares on the Main Board of the Stock Exchange.

15. SHARE CAPITAL *(CONTINUED)*

(b) Repurchase of own shares

During the six months ended 30 June 2008, the Company made the following repurchases of its own shares on the Stock Exchange:

	Number of shares repurchased	Price per share Highest	Lowest	Total paid
		HK$	HK$	HK$
January 2008	702,000	2.40	2.31	1,654,860
June 2008	304,000 (Note)	2.20	2.11	662,750
At 30 June 2008	1,006,000			2,317,610

The repurchased shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The premium payable on repurchase was charged against retained profits. An amount equivalent to the nominal value of the shares cancelled of HK$105,300 was transferred from retained profits to capital redemption reserve during the six months ended 30 June 2008.

Note: The share certificates of these 304,000 repurchased shares were cancelled in July 2008 whereupon an amount equivalent to the nominal value of the said shares of HK$45,600 was transferred from retained profits to capital redemption reserve after 30 June 2008.

16. CAPITAL COMMITMENTS

Capital commitments in respect of property, plant and equipment outstanding at the balance sheet date not provided for in the financial statements were as follows:

HK$ million	**Unaudited 30 June 2008**	Audited 31 December 2007
Contracted for	**66**	13
Authorised but not contracted for	**222**	232
	288	245

17. CONTINGENT LIABILITIES

At the balance sheet date, the Group has issued guarantees to banks in respect of banking facilities granted to and utilised by the following party:

	Unaudited		Audited	
	30 June 2008		31 December 2007	
HK$ million	**Granted**	**Utilised**	Granted	Utilised
Associate	**83**	**83**	51	45

18. MATERIAL RELATED PARTY TRANSACTIONS

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

		Six months ended 30 June	
		Unaudited	Audited
HK$ million	Note	**2008**	2007
(a) Recurring transactions			
Transactions with associates			
Sales	(i)	**82**	65
Purchases	(i)	**24**	13
Transactions with jointly controlled entities			
Sales	(i)	**16**	2
Transactions with fellow subsidiaries			
Rental expenses	(i) (v(a))	**46**	49
Transactions with affiliates			
Service income	(i) (v(b))	**32**	26

Affiliates represent associated companies and jointly controlled entities of the ultimate holding company.

18. MATERIAL RELATED PARTY TRANSACTIONS *(CONTINUED)*

HK$ million		Note	Six months ended 30 June **Unaudited** **2008**	 Audited 2007
(b)	Non-recurring transactions			
	Transactions with ultimate holding company			
	Management fee paid	(ii)	–	23
	Transaction with an associate			
	Commission income	(i)	–	5
	Transactions with fellow subsidiaries			
	Consideration paid for acquisition of a loan	(iii)	–	13
	Assignment of loans and current account	(iv)	–	45

Notes:

(i) The directors of the Company are of the opinion that the above related party transactions were conducted on normal commercial terms and were priced with reference to prevailing market prices, and in the ordinary course of business.

(ii) Management fee was paid to the ultimate holding company in respect of various business arrangements (including one-off business projects, strategical and consulting management services) between the Group and the ultimate holding company during the six months ended 30 June 2007. The management fee was determined based on arm's length principles with reference to the actual time and expenses incurred by the ultimate holding company in the provision of these management services.

(iii) There was a deed of assignment dated 29 June 2007 whereby a wholly-owned subsidiary of CITIC Pacific assigned to the Group a loan in the amount of HK$81 million owned by a company (then became a wholly-owned subsidiary of the Group) for a consideration of HK$13 million.

(iv) The Group entered into two deeds of assignment dated 29 June 2007 with CITIC Pacific in respect of the assignment of two loans in the amount of HK$33 million and HK$12 million owed by DCH (Engineering) Group at considerations of HK$33 million and HK$12 million respectively.

(v) Apart from the following items, all the material related party transactions disclosed above did not constitute connected transactions for the Company:

  (a) Rental expenses amounting to HK$46 million (2007: HK$49 million) paid to fellow subsidiaries, being wholly owned subsidiaries of CITIC Pacific, constituted non-exempt continuing connected transactions for the Company.

  (b) Service income amounting to HK$25 million (2007: HK$20 million) received from affiliates included provision of ground support equipment ("GSE") maintenance service to Hong Kong Airport Services Limited of HK$9 million (2007: HK$10 million) and Cathay Pacific Airways Limited of HK$16 million (2007: HK$10 million) which constituted non-exempt continuing connected transactions for the Company. The amount of HK$7 million (2007: HK$6 million) related to provision of GSE maintenance, unit load device ("ULD") maintenance, vehicle maintenance, motor leasing, leasing of ULD pallets to various affiliates which are constituted connected persons of the Company but such transactions were exempted from the disclosure requirement under di-minimus rule.

19. BUSINESS COMBINATION

In April 2008, the Group extended its interest in a subsidiary, Jiangmen Yicheng Motors Sale and Service Limited (江門市怡誠汽車銷售服務有限公司), in Mainland China, from 80.0% to 100.0% for a cash consideration of approximately HK$2 million. The acquisition resulted in a release of minority interests of approximately HK$2 million at the acquisition date and a recognition of goodwill of approximately HK$1 million.

In May 2008, the Group acquired 60.0% equity interests in Shanghai Sunny Life Enterprise (上海山隆實業有限公司) which is engaged in food trading business in Mainland China for a cash consideration of approximately HK$29 million. The acquisition resulted in a recognition of goodwill of approximately HK$8 million.

20. ULTIMATE HOLDING COMPANY

At 30 June 2008, the directors consider the ultimate holding company of the Group to be CITIC Pacific Limited, which is incorporated in Hong Kong.

21. POST BALANCE SHEET EVENT

(i) In July 2008, the Group has entered into a Letter of Intent with an independent third party to set up a lubrication oil blending plant in the Xinhui Logistics Centre in the PRC. The total investment is expected to be HK$128.7 million of which the Group has a 40.0% interest. The Group's share of investment is around HK$51.5 million.

(ii) In August 2008, the Group has entered into an agreement with an independent third party to acquire a 75.0% interest in Polyfood Food Service Co. Limited, a company engaged in processing premium food products in Hong Kong. Consideration for the acquisition of the 75.0% equity interest is HK$5.4 million. The total investment, including the acquisition of the equity interest and the provision of shareholder loan to finance the capital expenditure and working capital of the company, is estimated to be around HK$100 million.

(iii) In August 2008, the Group has entered into an agreement to enable the Group to own 100.0% equity interest in Guangdong Victory Electrical Appliances Manufacturing Co., Ltd., a company engaged in the manufacturing of premium home electrical appliances in Mainland China. The total consideration of the investment is HK$142.3 million.

(iv) In August 2008, the Group has entered into a number of agreements to acquire 49.0% interest in *FAW Toyota* 4S Company and 50.0% interest in *Lexus* 4S Company and the related shareholders' loans. The total consideration of the investment is around HK$143.7 million. Upon completion, the Group will have 50.0% economic interest in each of the above companies. The companies are engaged in the provision of vehicle sales, spare parts, maintenance services and customer survey services in respect of the "*FAW Toyota*" brand in Guangzhou and Foshan, the PRC and "*Lexus*" brand in Guangzhou, the PRC.

INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF DAH CHONG HONG HOLDINGS LIMITED

INTRODUCTION

We have reviewed the interim financial report set out on pages 17 and 36 which comprises the consolidated balance sheet of Dah Chong Hong Holdings Limited as of 30 June 2008, the consolidated income statement, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six months period then ended and the explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Basis on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2008 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim financial reporting".

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

26 August 2008

DIVIDEND AND CLOSURE OF REGISTER

The Directors have declared an interim dividend of 6.43 HK cents per share for the year ending 31 December 2008 payable on Wednesday, 24 September 2008 to shareholders whose names appear on the Register of Members of the Company on Thursday, 18 September 2008. The Register of Members of the Company will be closed from Thursday, 11 September 2008 to Thursday, 18 September 2008, both days inclusive, during which period no share transfer will be effected. In order to qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 10 September 2008.

SHARE OPTION PLANS

1. PRE-IPO SHARE OPTION SCHEME

The Company adopted the Pre-IPO Share Option Scheme ("Pre-IPO Scheme") on 28 September 2007. Under the Pre-IPO Scheme, the Company has granted 18,000,000 options before the listing of the Company. No options will be offered or granted under the Pre-IPO Scheme upon the commencement of dealings in the Company's shares on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

All options granted and accepted fully vested on the date of grant but have a lock-up period of 6 months from the listing of the Company and are then exercisable in whole or in part within 5 years from the date of grant. None of the options granted under the Pre-IPO Scheme were cancelled or lapsed during the six months ended 30 June 2008. A summary of the movements of the options during the six months ended 30 June 2008 is as follows:–

(a) Directors of the Company

			Number of options				
Name of director	Date of grant	Exercise price per share	Balance as at 1 Jan 2008	Granted during the 6 months ended 30 Jun 2008	Exercised/ lapsed/ cancelled during the 6 months ended 30 Jun 2008	Balance as at 30 Jun 2008	Percentage of issued share capital
		HK$					
Hui Ying Bun	3 Oct 2007	5.88	1,700,000	–	–	1,700,000	0.094%
Chu Hon Fai	3 Oct 2007	5.88	1,200,000	–	–	1,200,000	0.067%
Yip Moon Tong	3 Oct 2007	5.88	1,000,000	–	–	1,000,000	0.056%
Mak Kwing Tim	3 Oct 2007	5.88	800,000	–	–	800,000	0.044%
Lau Sei Keung	3 Oct 2007	5.88	800,000	–	–	800,000	0.044%
Tsoi Tai Kwan, Arthur	3 Oct 2007	5.88	800,000	–	–	800,000	0.044%
Glenn Robert Sturrock Smith	3 Oct 2007	5.88	500,000	–	–	500,000	0.028%
Chan Kin Man, Andrew (Note)	3 Oct 2007	5.88	500,000	–	–	500,000	0.028%

Note: Mr Chan Kin Man, Andrew resigned as a director of the Company on 16 July 2008.

1. PRE-IPO SHARE OPTION SCHEME *(CONTINUED)*

(b) Employees of the Company working under continuous contracts (as defined in the Employment Ordinance), other than the Directors

		Number of options				
Date of grant	**Exercise price per share**	**Balance as at 1 Jan 2008**	**Granted during the 6 months ended 30 Jun 2008**	**Exercised/ lapsed/ cancelled during the 6 months ended 30 Jun 2008**	**Balance as at 30 Jun 2008**	**Percentage of issued share capital**
	HK$					
3 Oct 2007	5.88	10,700,000	–	–	10,700,000	0.595%

2. POST-IPO SHARE OPTION SCHEME

The Company adopted the Post-IPO Share Option Scheme ("Post-IPO Scheme") on 28 September 2007. The Company has not granted any options under the Post-IPO Scheme.

DIRECTORS' INTERESTS IN SECURITIES

The interests of the Directors in shares of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as at 30 June 2008 as recorded in the register required to be kept under section 352 of the SFO were as follows:–

1. SHARES IN THE COMPANY

Name of director	Number of shares: Personal interests unless otherwise stated	Percentage of issued share capital
Hui Ying Bun	216,000	0.012%
Chu Hon Fai	200,000	0.011%
Yip Moon Tong	100,000 (Note 1)	0.006%
Mak Kwing Tim	100,000	0.006%
Lau Sei Keung	180,000	0.010%
Tsoi Tai Kwan, Arthur	51,000 (Note 2)	0.003%
Glenn Robert Sturrock Smith	50,000	0.003%
Chan Kin Man, Andrew (Note 3)	50,000	0.003%
Chau Chi Yin	21,000	0.001%

Notes:

1. Jointly held with his spouse.
2. Personal interest in respect of 50,000 shares and interest by attribution in respect of 1,000 shares.
3. Resigned as a director of the Company on 16 July 2008.

2. SHARES IN AN ASSOCIATED CORPORATION, CITIC PACIFIC LIMITED

Name of director	Number of shares Personal interests unless otherwise stated	Percentage of issued share capital
Hui Ying Bun	337,000	0.01536%
Chu Hon Fai	193,000	0.00880%
Mak Kwing Tim	5,000	0.00023%
Lau Sei Keung	1,000	0.00005%
Tsoi Tai Kwan, Arthur	43,000 (Note)	0.00196%
Chau Chi Yin	536,000	0.02443%
Chan Chui Sheung, Stella	5,000	0.00023%

Note: Personal interest in respect of 18,000 shares and interest by attribution in respect of 25,000 shares.

3. SHARES IN AN ASSOCIATED CORPORATION, CITIC 1616 HOLDINGS LIMITED

Name of director	Number of shares Personal interests unless otherwise stated	Percentage of issued share capital
Chau Chi Yin	26,750	0.001%

4. OPTIONS IN THE COMPANY

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

5. OPTIONS IN AN ASSOCIATED CORPORATION, CITIC PACIFIC LIMITED

Name of director	Date of grant	Exercise price per share	Balance as at 1 Jan 2008	Granted during the 6 months ended 30 Jun 2008	Exercised/ lapsed/ cancelled during the 6 months ended 30 Jun 2008	Balance as at 30 Jun 2008	Percentage of issued share capital
			Number of options				
		HK$					
Hui Ying Bun	1 Nov 2004	19.90	300,000	–	–	300,000	
	20 Jun 2006	22.10	300,000	–	–	300,000	
						600,000	0.027%
Chu Hon Fai	1 Nov 2004	19.90	200,000	–	–	200,000	
	20 Jun 2006	22.10	200,000	–	–	200,000	
						400,000	0.018%
Chau Chi Yin	1 Nov 2004	19.90	500,000	–	–	500,000	
	20 Jun 2006	22.10	800,000		–	800,000	
	16 Oct 2007	47.32	800,000	–	–	800,000	
						2,100,000	0.096%
Chan Chui Sheung, Stella	16 Oct 2007	47.32	600,000	–	–	600,000	
						600,000	0.027%
Kwok Man Leung	16 Oct 2007	47.32	600,000	–	–	600,000	
						600,000	0.027%

Note: The options were granted by CITIC Pacific Limited, the holding company of the Company.

Save as disclosed above, as at 30 June 2008, none of the Directors of the Company had nor were they taken to or deemed to have, under Part XV of the SFO, any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations or any interests which are required to be entered into the register kept by the Company pursuant to section 352 of the SFO or any interests which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") contained in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2008, the interests of the substantial shareholders, other than the Directors of the Company or their respective associate(s), in the shares of the Company as recorded in the register of interests in shares and short positions required to be kept under section 336 of the SFO were as follows:–

Name	**Number of shares of the Company**	**Percentage to the issued share capital**
CITIC Pacific Limited	1,018,800,000	56.62%
Davenmore Limited	1,018,800,000	56.62%
Colton Pacific Limited	800,922,200	44.51%
Chadacre Developments Limited	245,102,000	13.62%
Ascari Holdings Ltd.	217,877,800	12.11%
Cornaldi Enterprises Limited	95,317,400	5.30%

Colton Pacific Limited beneficially held 378,802,200 shares and was deemed to be interested in 422,120,000 additional shares held by Chadacre Developments Limited as to 245,102,000 shares, Cornaldi Enterprises Limited as to 95,317,400 shares, Corton Enterprises Limited as to 54,467,000 shares, Dashing Investments Limited as to 13,616,800 shares and Karaganda Limited as to 13,616,800 shares.

Ascari Holdings Ltd. was deemed to be interested in 217,877,800 shares through Silver Ray Enterprises Inc. as to 55,877,800 shares, Grogan Inc. as to 81,000,000 shares, Greenlane International Holdings Inc. as to 81,000,000 shares.

Davenmore Limited was deemed to be interested in 1,018,800,000 shares as Colton Pacific Limited and Ascari Holdings Ltd. were its wholly-owned subsidiary companies.

CITIC Pacific Limited was deemed to be interested in 1,018,800,000 shares as Davenmore Limited was its wholly-owned subsidiary company.

SHARE BUYBACK

During the six months ended 30 June 2008, the Company made the following repurchases of its own shares on the Stock Exchange for purpose of enhancing its earnings per share:–

	Number of shares repurchased	Price per share Highest	Price per share Lowest	Total paid
		HK$	**HK$**	**HK$**
Jan 2008	702,000	2.40	2.31	1,654,860
Jun 2008	304,000 *(Note)*	2.20	2.11	662,750
	1,006,000			2,317,610

These repurchased shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The premium payable on repurchase was charged against retained profits. An amount equivalent to the nominal value of the shares cancelled of HK$105,300 was transferred from retained profits to capital redemption reserve during the six months ended 30 June 2008.

Save as disclosed above, the Company has not redeemed any of its shares during the six months ended 30 June 2008. Neither the Company nor any of its subsidiary companies has purchased or sold any of the Company's shares during the six months ended 30 June 2008.

Note: The share certificates of these 304,000 repurchased shares were cancelled in July 2008 whereupon an amount equivalent to the nominal value of the said shares of HK$45,600 was transferred from retained profits to capital redemption reserve after 30 June 2008.

CORPORATE GOVERNANCE

DCH Holdings is committed to ensuring high standards of corporate governance and first class business practices. The Board believes that good corporate governance practices are increasingly important for maintaining and promoting investor confidence. Details of our corporate governance practices can be found on page 38 of the 2007 Annual Report and the Company's website www.dch.com.hk.

Throughout the six months ended 30 June 2008, DCH Holdings has complied with all code provisions of the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules.

The Audit Committee of the Board, consisting of all the three independent non-executive directors, has reviewed the 2008 Interim Report with the management and the Company's internal and external auditors and recommended its adoption by the Board.

The interim financial statements, which have been prepared in accordance with HKAS 34 "Interim Financial Reporting", have been reviewed by the Company's independent auditors, KPMG, in accordance with the Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

The Company has adopted the Model Code. Having made specific enquiry, all Directors have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2008.

DEFINITION OF TERMS

TERMS

Capital employed	Shareholders' funds plus total debt
Total debt	Short term and long term loans, plus bank overdrafts
Net debt	Total debt less cash and bank deposits
Total capital	Shareholders' funds plus net debt
EBITDA	Profit before interest expense, taxation, depreciation and amortisation

RATIOS

Earnings per share $= \dfrac{\text{Profit attributable to shareholders}}{\text{Weighted average number of shares (by days) in issue for the period}}$

Shareholders' funds per share $= \dfrac{\text{Shareholders' funds}}{\text{Total issued and fully paid shares at the end of the period}}$

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

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

CORPORATE INFORMATION

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

Website
www.dch.com.hk contains a description of DCH Holdings' business, copies of interim and annual report to shareholders, announcements, press releases and other information.

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

Share Registrars
Shareholders should contact our Registrars on matters such as transfer of shares, change of name or address, or loss of share certificates:
Tricor Investor Services Limited
26th Floor, Tesbury Centre,
28 Queen's Road East,
Wanchai,
Hong Kong
Telephone: 2980 1333
Fax: 2810 8185

Investor Relations
Investors, shareholders and research analysts may contact the Investor Relations Department.
Telephone: 2768 3110
Fax: 2758 1117
Email: ir@ir.dch.com.hk

Financial Calendar

Closure of Register:	11 Sep 2008 to 18 Sep 2008
Interim Dividend payable:	24 Sep 2008

Interim Report 2008
Our Interim Report is printed in English and Chinese language and is also available on our website at www.dch.com.hk under the 'Investor Relations' section.

Shareholders may choose to rely on the Interim Report posted on the Company's website. Shareholders may change their choice on this matter by writing to the Company's Share Registrars.

Shareholders having difficulty in gaining access to the document will promptly be sent printed copies free of charge upon request to the Company's Share Registrars.

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

TdA - concept and design tda.com.hk Printed by: iOne Financial Press Limited www.ione.com.hk

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