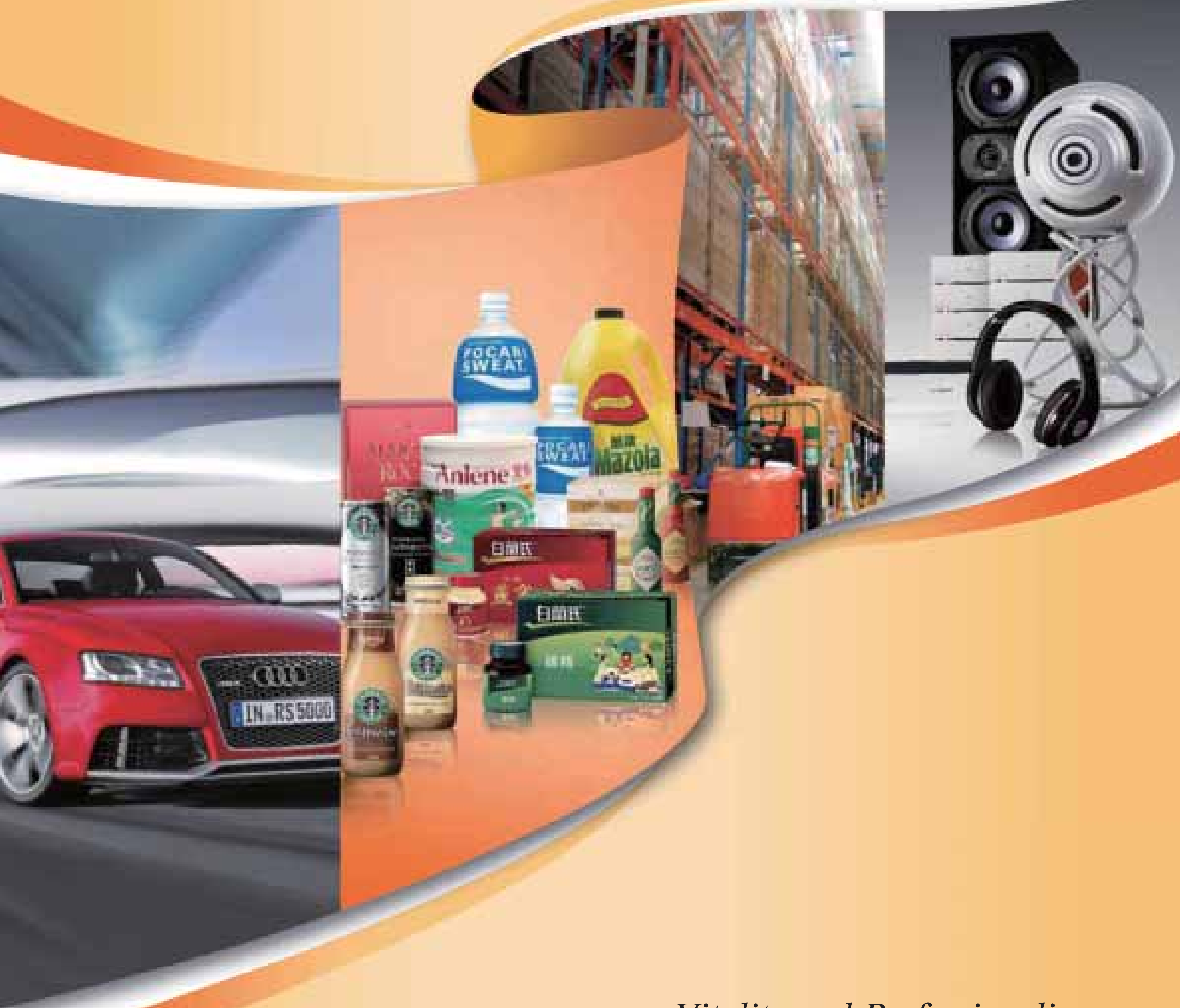
大昌行集團有限公司
DAH CHONG HONG HOLDINGS LIMITED



Vitality and Professionalism

OUR CHINA MOMENTUM

Interim Report 2010

Stock Code: 01828

CONTENTS

FINANCIAL HIGHLIGHTS

HK$ million	Unaudited Six months ended 30 June **2010**	 2009
Turnover	**14,117**	9,470
Profit from operations	**731**	431
Profit attributable to shareholders	**480**	270
Major business segment profit after taxation		
Motor and Motor Related Business	**487**	250
Food and Consumer Products Business	**76**	56
Logistics Business	**11**	10
Other Business	**33**	27

HK$ million	**Unaudited 30 June 2010**	Audited 31 December 2009
Total debt	**2,581**	2,436
Cash and bank deposits	**1,407**	1,895
Net debt	**1,174**	541
Shareholders' funds	**5,797**	5,457
Total capital	**6,971**	5,998

HK cents	Unaudited Six months ended 30 June **2010**	 2009
Earnings per share	**26.70**	15.02
Interim dividend per share	**10.68**	4.51

CHAIRMAN'S LETTER TO SHAREHOLDERS

DCH has been delivering remarkable results since its IPO in 2007. Despite the financial tsunami which erupted in 2008, turnover has increased at a compound annual growth rate ("CAGR") of about 26% and profit attributable to shareholders at a CAGR of about 32% with a return on equity of 17% (annualised) for the 6 months ended 30 June 2010. We have been honoured to be ranked 138th among the top 500 Chinese companies listed in the world's stock markets by *Fortune China* magazine.

The solid business platform which we have built in the past years in mainland China in accordance with our clear vision, China Momentum, has started to flourish as we have grasped the unique opportunity presented by the fast growing automobile market in mainland China. Our business in mainland China has been growing vigorously with turnover increased by 62.2% during the first half of 2010.

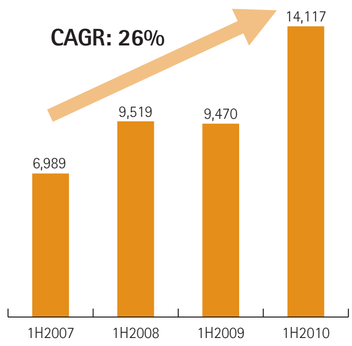
The motor vehicle business segment has taken a quantum leap in recent years based on our platform of motor distributorship, dealership and motor related business in mainland China. We are anticipating the same in the other two major business segments of DCH.

As the result of the increased GDP and the income per capita, as well as the awareness of the importance of food safety, the demand of quality imported food to mainland China is increasing extensively. The distribution network of fast moving consumer goods ("FMCG") which we have established in the past decade has contributed to an increase of about 40% in the turnover of our FMCG business in the country in the first half of 2010 and we believe that this growth will continue.

Though the logistics segment is still in the development stage within mainland China and we are building the infrastructure to meet the growing requirements, it has already begun to create a very good synergy to support our food business in mainland China through collaboration with our FMCG principals.

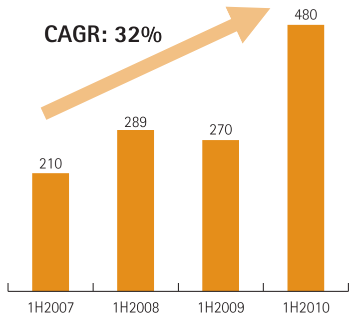
Group Turnover

1H2007-1H2010 (HK$M)



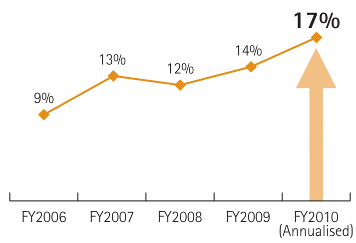
Profit Attributable to Shareholders

1H2007-1H2010 (HK$M)



Return on Equity

2006-2010



Notes:
1H = First half year
FY = Full year

Results

During the period under review, the Group has recorded a total turnover of HK$14,117 million compared to HK$9,470 million in the same period last year, an increase of 49.1%. Profit from operations has soared 69.6% to HK$731 million, compared to HK$431 million last year. Profit attributable to shareholders of the Company has lifted 77.8% to HK$480 million from last year's HK$270 million. Basic earnings per share were 26.70 HK cents versus 15.02 HK cents for the first six months last year.

The Board has resolved to declare an interim dividend of 10.68 HK cents (2009: 4.51 HK cents) per share.

BUSINESS MIX

For the first six months of 2010, Motor and Motor Related Business accounted for 75.5% of total turnover of the Group, whereas Food and Consumer Products Business made up 23.3% and the remaining 1.2% was derived from Logistics and Other Business. Geographically, 66.6% of the Group's total turnover came from mainland China, Hong Kong and Macao constituted 26.7% and the remaining 6.7% was from Other Markets.

Business Review

MOTOR AND MOTOR RELATED BUSINESS

This business segment recorded a robust growth of 64.9% in turnover to HK$10,659 million, compared to HK$6,462 million for the corresponding period last year. A 68.5% growth was recorded in mainland China motor sales to HK$8,147 million, benefiting from strong market sentiment and increased contributions from additional 4S shops added in 2009. Sales turnover soared by 52.6% in Hong Kong and Macao as a result of the market rebound. Segment profit after taxation improved considerably by 94.8% to reach HK$487 million with the segment margin at 4.6% compared to last year's 3.9%.

Mainland China

The vehicle market in mainland China entered 2010 on a very positive note. For the six months ended 30 June 2010, approximately 9 million vehicles were sold in mainland China, representing a year-on-year growth of 48.1%. During the same period the total number of passenger cars sold rose by 48.6% to 6.7 million units while commercial vehicle sales soared by 46.8% to 2.3 million units.

In line with the favourable market sentiment, a total of 30,120 vehicles were sold through DCH's sales and distribution network in the reporting period, including 23,998 passenger cars and 6,122 commercial vehicles, representing a growth rate of 54.7% and 149.6% respectively.

Distributorship

As the exclusive national importer and distributor of the luxury brand, *Bentley*, DCH has enjoyed the increasing spending power among high-end consumers in mainland China and delivered 376 units of *Bentley* vehicle in the review period, a year-on-year growth of 116%.

In the commercial vehicle sector, the Group, being the importer and distributor of *Isuzu* vehicles in the PRC, has maintained its leading position in the imported heavy duty trucks market with a 132.4% growth in sales to 3,147 units in the first half of 2010.

Dealership

During the review period, we have further expanded our dealership network by adding eight more 4S shops through the acquisition of Shenye Shiye Group. Coupled with the opening of Shanghai and Cixi *Lexus* dealerships, the total number of 4S shops has reached 50, compared with 40 shops at the end of 2009. In addition, six 4S shops for sale of *FAW Toyota*, *SAIC VW*, *GQ Honda*, *DF Nissan* and *Bentley* vehicles are presently undergoing construction and are expected to open in the second half of 2010. We have also obtained the dealerships for five 4S shops to sell *Lexus*, *FAW Toyota* and *FAW Audi* cars.

Sale of commercial vehicles through our 4S shop network has become significant recording a year-on-year growth of 170.7%.

Motor Related Business

In addition to motor leasing and parts trading, the Group is expanding the scale of motor related business in mainland China with investment in a used car trading and vehicle inspection centre in Guangzhou. The independent motor service centre in Dongguan and the lubrication oil blending plant in Xinhui, which are scheduled to commence operation in the second half of 2010, should allow the Group to tap the booming after-sales market.

Hong Kong and Macao

The overall vehicle market has bounced back from the financial downturn last year. For the first half of 2010, total vehicle sales in Hong Kong reached approximately 18,500 units with year-on-year growth of about 57%. The HKSAR Government incentive scheme on replacement of pre-Euro and Euro I vehicles also helped uplift the sales of commercial vehicles.

At the end of June 2010, DCH has captured around 25% of the overall vehicle market share in Hong Kong. The total number of vehicles sold reached 4,549 units with a 43.6% year-on-year rise up until the end of June. Despite the unfavourable market conditions for sales of Japanese cars, our passenger cars sales achieved a 40.9% growth to 3,371 units mainly due to the encouraging sales performance of *Audi*. Stimulated by the positive market sentiment and the favourable backdrop of the government incentive program, DCH has sold 1,178 commercial vehicles, a strong 52.2% increase. DCH continued to be strong in the environment-friendly vehicles and has gained 42.4% of share of this market in the first half of 2010, remaining as a major player in Hong Kong.

Other Markets

The overall economy of Taiwan showed signs of improvement in the first half of 2010. The Group's motor business development in the market has progressed satisfactorily as the *Audi Terminal* (4S shop) in Taipei and the sales facilities in Hsinchu have commenced operation.

The Group was preparing to launch "*Foton*" vehicles in Singapore in the second half of 2010. The business in Canada was stable despite the very challenging market conditions for vehicle sales.

FOOD AND CONSUMER PRODUCTS BUSINESS

Our efforts aimed at expanding the FMCG business in mainland China have achieved satisfactory results with about 40% growth in FMCG revenue and this has become a key growth driver of the food and consumer products business during the review period.

The segment turnover reported a 14.9% rise compared with the corresponding period last year with the strong growth in FMCG sales partly offset by the cessation of the low-gross margin edible oil business. As a result, segment profit after taxation increased substantially by 35.7% to HK$76 million while the segment margin rose to 2.3% from the corresponding period of last year's 2.0%.

Mainland China

Segment turnover increased by 29.8% year-on-year to HK$1,245 million, which was mainly attributable to the substantial sales growth in FMCG. Among the variety of FMCG products under DCH, chocolate and milk powder posted particularly strong sales growth.

The favourable results verified DCH's strategy of introducing imported quality products into the rapidly growing market years ago. The enriched product portfolio resulted from active soliciting of agency rights and the acquisition of FMCG distribution companies in Shanghai, and the broadening of distribution network to cover additional first and second tier cities, contributed to the growth in sales.

DCH's modern logistics facilities, which serve as a strong backbone of our FMCG distribution supply chain, provide high value-added services such as repackaging and labeling with bonded warehouse facilities. They have further strengthened our relationships with the overseas principals and suppliers, helping us to forge long-term collaborative partnerships in the distribution of FMCG in mainland China.

The electrical appliances business has recovered from the financial tsunami and demand of professional audio equipment has returned to normal level.

Hong Kong and Macao

Thanks to the Group's focus on selling high quality products and broadening the product range to keep pace with the increased consumer spending, turnover from Hong Kong and Macao grew by 11.3% from the same period last year as FMCG, including confectioneries, canned soups, dairy products and the newly added, *Starbucks* ready to drink coffee all recorded satisfactory sales. The frozen and chilled food commodities business also performed well.

The Group operated 73 food retail outlets, including 60 *DCH Food Mart* and 13 *DCH Food Mart Deluxe* stores as at 30 June 2010. Both customer counts and revenue per transaction have increased. The same store sales per square foot grew by 9.7% over the same period last year.

The electrical appliances business recorded a satisfactory result as we have been proactively enlarging the product range, including household appliances such as washing machines, refrigerators or audio-visual products, to better suit the different customer segments. Towards this end, new renowned brands such as the premier French *Cabasse* speakers, and the *Haier* electrical appliances were added to our product portfolio.

Other Markets

The performance of the food trading business in Japan was relatively stable while the sales in Singapore has been picking up gradually. The turnover of our small electrical appliances manufacturing business remained stagnant as overseas markets, particularly Europe and the US, have yet to fully recover from the global financial turmoil.

LOGISTICS BUSINESS

The segment turnover increased by 20.4% to HK$118 million from HK$98 million in the last corresponding period. Segment profit after taxation were HK$11 million as compared to HK$10 million in the same period last year, while the segment margin slightly dropped to 9.3% compared with 10.2% in the corresponding period.

The Yuen Long Logistics Center, which has commenced full-scale operation since the first quarter of 2010, contributed to the growth in turnover. Moreover, the newly added logistics facilities in Xinhui, including cold storage, a bonded warehouse and third party logistics warehouses, have started operation in phases since the second quarter of 2010.

The Group has developed a more comprehensive regional logistics platform covering Hong Kong, Macao and the Pearl River Delta ("PRD"), which empowers the Group to extend its services to more local and overseas customers, and strengthen the ties with the existing clientele and collaborative partners of its food distribution business.

Prospects

We continue to see substantial GDP growth in mainland China in the foreseeable future. The emerging consumer market driven by its rapidly expanding middle class presents huge business opportunities which translate into a great demand for the quality goods and services that DCH provides. Based on the strong market presence across our motor, food and logistics businesses, DCH is well-positioned to successfully carry out our strategic plans to take advantage of the rising demand of the mainland China consumer market.

MOTOR AND MOTOR RELATED BUSINESS

Mainland China

According to the industry forecast, the growth of the mainland China motor market is expected to remain robust in 2010, with total vehicle sales exceeding 16 million units. This provides a solid platform for our continued business expansion in both the passenger car and commercial vehicle sectors.

Distributorship

Capitalising on the Group's competitive advantage stemming from the exclusive national distributorship of *Bentley* in mainland China, investment is to be aggressively stepped up to expand its distribution network in different cities to satisfy the fast growing demand for super luxury cars by the most affluent customer group. Four more appointed dealers will commence operation in the second half of 2010, in Tianjin, Xiamen, Kunming, and Shenyang, making a total of 13 dealers in *Bentley's* national network. To enhance our customer service standard, the Group has established a Parts Centre and the *Bentley Academy* in Shanghai, the first training centre of *Bentley* outside the UK.

It is expected that the ongoing infrastructure and construction projects in mainland China will generate tremendous demand for heavy duty trucks. As the importer and national distributor of *Isuzu* in mainland China, the Group will further strengthen the sales and service network to grasp the business opportunities and maximise the contribution of this segment.

Dealership

In the dealership business, the Group expects to speed up the expansion of its network and further enhance the quality of its brand portfolio. Six more 4S shops are to be opened in the second half of 2010, making a total of 56 4S shops in our network at the end of the year. In coming years, we anticipate that our network will grow at a much faster pace. We have secured the development of five 4S shops through green field development and negotiation for acquiring dealerships is being actively pursued.

In addition to passenger cars, DCH will devote more efforts in strengthening the dealership network of commercial vehicles and there will be new sales outlets for *Qingling* in Wuxi, Changzhou and Xuzhou in the second half of 2010.

To realise the intrinsic value of the 4S dealership platform and improve the margin of this segment, enhancement of both operations management and service quality will be continued while more service marketing and customer retention efforts will be carried out to transform after-sales service into a more important revenue driver.

Motor Related Business

The increase in private automobile ownerships in mainland China offers ample opportunities to grow our after-sales market business. In addition to optimising our existing services, two independent service centres in Dongguan are to start operations by the end of 2010. Furthermore, the construction of our lubrication oil blending plant is to be completed during the fourth quarter with production starting at the end of 2010.

Hong Kong and Macao

It is expected that the automotive market in Hong Kong will remain stable in the rest of 2010. The Group has invested in a second *Audi* showroom in Kowloon, scheduled to open in the fourth quarter. As this is the biggest showroom in town, the Group is confident of raising *Audi's* brand awareness further and capturing a greater share in the market.

Besides, DCH is now joining hands with the HKSAR Government on an electric vehicle ("EV") pilot scheme for promoting EVs in Hong Kong. The scheme is to bring in around 200 electric vehicles from *Nissan Motors* to allow full scale trial of EVs in Hong Kong. This marks a brand new chapter in the local automobile industry and DCH's leading position in the rapidly growing environment-friendly automobile sector would be further strengthened.

Other Markets

With the signing of "The Economic Cooperation Framework Agreement" (兩岸經濟合作架構協議) between mainland China and Taiwan, the cross-strait relations are progressing in a positive direction. We are optimistic about Taiwan's economic outlook. The Group plans to increase its penetration into this market and seize the business opportunities arose down the road. DCH's second *Audi Terminal* in Hsinchu is expected to commence business in the last quarter in the year.

FOOD AND CONSUMER PRODUCTS BUSINESS

Encouraged by the reviving global economy and stable economic growth in mainland China, the Group sees total food supply chain as a major profit contributor in the coming years. The Group plans to keep on sourcing more quality FMCG and extend the distribution network of products with outstanding sales records to more first and second tier cities in mainland China. The Group intends to continue to grasp possible merger and acquisition opportunities to further enhance the FMCG portfolio as it will continue to be the growth driver of the Group in the food business.

The Group will establish an upstream frozen food processing plant in eastern China, which will allow the Group to expand the business vertically and at the same time to enhance the leverage of the DCH house brand "*大昌食品*" which has gained good recognition in the region.

In Hong Kong, as the new Yuen Long food processing centre has doubled the food processing capacity of the Group, DCH has planned to add the production of the mass processed food to gain a larger market share of the processed food market. At the same time, it would prepare the Group to enter into the vast market of mainland China through setting up similar facilities in southern China.

The Group also plans to expand the food retail outlets in Hong Kong both geographically and in product categories to meet the need of different customer groups. We shall establish a wider network, focusing on frozen and chilled products, with emphasis on food safety and reliability in order to protect the well being of our customers and maintain the goodwill of our brand and shops.

As the population of the mid-income group grows and urbanisation continues in mainland China, demand for high quality entertainment products will increase. It is envisaged that premium grade audio-visual equipment will have a good market potential in the coming years. DCH will therefore speed up the development of the electrical appliances business by aggressively enlarging the product portfolio. For mainland China, the Group's development focus will be on top-notch domestic and professional audio-visual products to satisfy the growing requirements of higher income groups. "*Monster Yao 明*" co-branded headphones and accessories, and the *Polkaudio* speakers are just some of the promising new products. In Hong Kong, we will focus on quality household appliances and premium audio-visual products to meet the escalating customer demand.

LOGISTICS BUSINESS

The Group has been building a solid modern logistics platform in the past few years that provides a broad range of services including temperature controlled storage, bonded warehousing, cross-border and intra-cities distribution, global forwarding, supply chain management solution, material procurement, customs clearance and declaration, packaging and other value added services in the PRD. We intend to continue to develop this platform to support the Group's strategic direction of total food supply chain development whilst meeting the growing requirement for third party modern logistics at an international standard in the region. With the platform ready this year, we would be able to provide packing and repacking, labeling, import and export services to world renowned FMCG principals like *Arcor* and *Ferrero*.

In particular, we shall establish a seamless cold chain system in mainland China. It facilitates collaboration with principals and suppliers which also supports the fast growth of the Group's food business. To capture the thriving mainland market, the Group is planning additional logistics infrastructure in eastern China. With a comprehensive platform, we believe that the logistics business will become a new growth driver and profit contributor in the foreseeable future.

Asset Disposal

As announced in the previous months, we have now completed the disposal of our entire 50% interest in the joint venture with *Shiseido* on 2 July 2010 for a consideration of HK$500 million and a property in Hong Kong on 12 August 2010 for a consideration of HK$123.6 million. The Group is expected to make a profit of about HK$330 million from the disposal of the *Shiseido* joint venture and a profit of about HK$122 million on the disposal of the property and the gain is to be taken up in 2010 full year results. The proceeds from the disposal are to be used by the Group as its working capital and for future business development.

Appreciation

In closing, we once again thank our employees for their hard work and dedication, our business partners and customers for their support. Thank you, our shareholders, for your investment and continued confidence in our company. You have our promise that we will continue to enhance the value of your investment.

Hui Ying Bun
Chairman

Hong Kong, 16 August 2010

FINANCIAL REVIEW

Introduction

The Group's 2010 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 applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. This Financial Review is designed to assist the reader in understanding the Group's financial information by discussing the contribution of each business segment and the financial position of the Group as a whole.

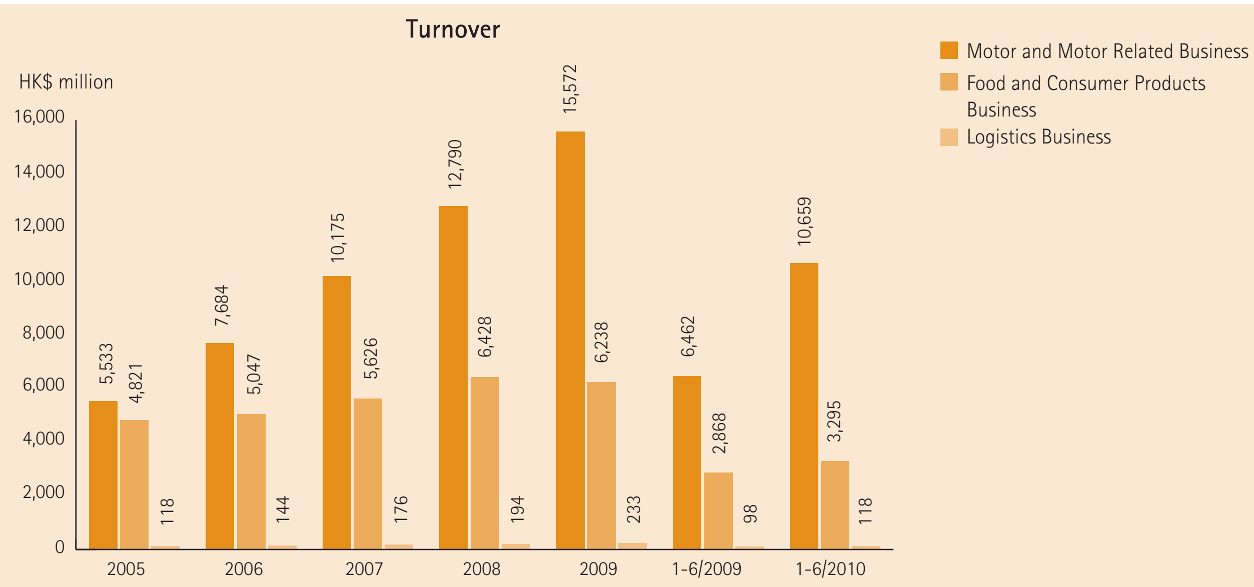
Turnover

Turnover for the first six months of 2010 was HK$14,117 million, increased by 49.1% compared with HK$9,470 million for the same period of 2009, which was mainly attributable to the followings:

- ***Motor and Motor Related Business***
  Turnover of Motor and Motor Related Business was HK$10,659 million for the first six months of 2010, increased by 64.9% from the same period last year. The increase was mainly attributable to the strong market sentiment for automobile sales in mainland China and additional 4S shops added in 2009. The Hong Kong and Macao market also rebounded following the economic downturn in the first half year of 2009.

- ***Food and Consumer Products Business***
  Turnover of Food and Consumer Products Business was HK$3,295 million for the first six months of 2010, increased by 14.9% from the same period last year. This was mainly due to the satisfactory growth in Hong Kong market and our expansion of FMCG business in mainland China.

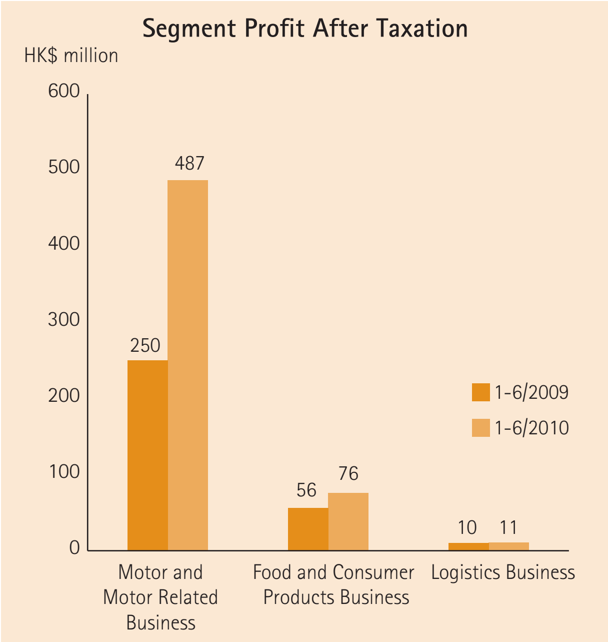
- ***Logistics Business***
  Turnover of Logistics Business grew steadily by 20.4% to HK$118 million for the first six months of 2010, in line with the expansion of logistic facilities in Xinhui and Yuen Long.



Segment Profit After Taxation

Segment profit after taxation by major reportable segments for the first six months of 2010, compared with the same period of 2009, were as follows:

- ***Motor and Motor Related Business***
  Segment profit after taxation increased sharply by 94.8% to HK$487 million. This was attributable to the significant increase in sales and segment profit in mainland China market which was benefited from the favourable market sentiment and increased contributions from additional 4S shops added in 2009. The growth of the distribution of Bentley super luxury vehicles and Isuzu heavy duty trucks in mainland China also contributed to the increase in segment profit in the first half of 2010. Sales of passenger cars in Hong Kong and Macao bounced back from the financial downturn last year; the HKSAR Government incentive scheme on replacement of pre-Euro and Euro I vehicles also helped uplift the sales of commercial vehicles. Both factors contributed to the increase in sales and segment profit in Hong Kong and Macao market.



- ***Food and Consumer Products Business***
  Segment profit after taxation grew by 35.7% to HK$76 million which was attributable to the increase in sales and segment profit in Hong Kong market. The increase in sales of FMCG including confectioneries, canned soups, dairy products and frozen and chilled food commodities in Hong Kong contributed to the increase in segment profit. The enriched product portfolio of FMCG and the expansion of the distribution channels also helped improve the segment profit and gross margin in mainland China market.

- ***Logistics Business***
  Segment profit after taxation increased by 10.0% to HK$11 million with the expansion of our logistics facilities. The Yuen Long Logistics Center has commenced full-scale operation since the first quarter of 2010. The newly added logistics facilities in Xinhui, including cold storage, a bonded warehouse and third party warehouses, have started operation in phases since the second quarter of 2010.

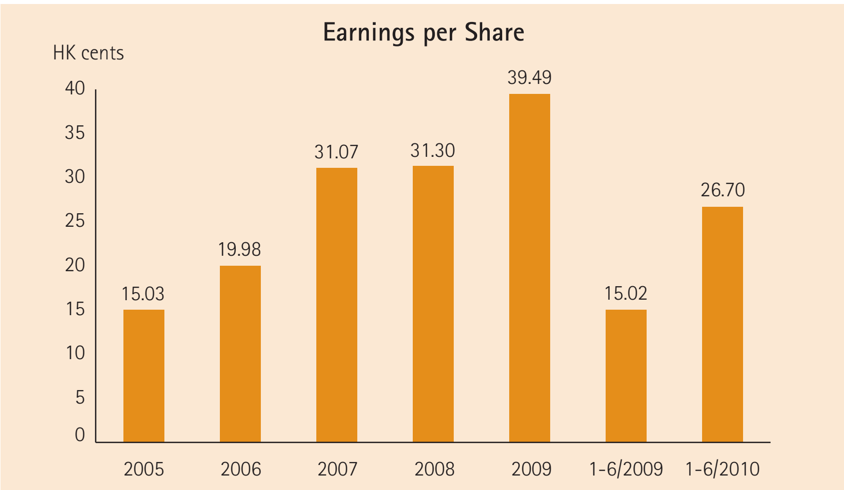
Note: Segment profit after taxation represents profit after taxation from each reportable segment including share of profits/(losses) after tax of associates and jointly controlled entities. Items not specifically attributable to individual segment, such as corporate expenses, are not allocated to the reportable segments.

Profit Attributable to Shareholders

Profit attributable to shareholders of the Company for the first six months of 2010 was HK$480 million, an increase of 77.8% as compared with HK$270 million for the same period of 2009.

Earnings per Share

Calculation of earnings per share for the six months ended 30 June 2010 was based on the profit attributable to shareholders of the Company and the 1,797,833,000 ordinary shares in issue during the period (2009: 1,797,833,000 ordinary shares). Earnings per share was 26.70 HK cents for the first half of 2010, an increase of 77.8% as compared with 15.02 HK cents for the same period of 2009, mainly attributable to the increase in profit.



Dividend per Share

An interim dividend of 10.68 HK cents (2009: 4.51 HK cents) per share was declared after the balance sheet date representing a dividend payout ratio of 40% for the first half year of 2010.

Finance Costs

The Group's finance costs decreased by 12.5% from HK$64 million for the first six months of 2009 to HK$56 million for the same period of 2010 mainly due to decrease of interest rate for borrowings in both Hong Kong and mainland China.

Income Tax

Income tax increased by 47.3% from HK$131 million for the first half year of 2009 to HK$193 million for the same period of 2010. Included under deferred tax charge for the first six months of 2010 was de-recognition of deferred tax assets of HK$21 million (2009: HK$51 million).

Net Asset Value per Share

Calculation of net asset value per share was based on the net asset value of the Group of HK$6,086 million (31 December 2009: HK$5,756 million) and the 1,797,833,000 ordinary shares issued at 30 June 2010 (31 December 2009: 1,797,833,000 ordinary shares). Net asset value per share at 30 June 2010 was HK$3.39 (31 December 2009: HK$3.20 per share).

Capital Expenditure

During the first half year of 2010, the Group's capital expenditure was HK$227 million (1-6/2009: HK$193 million) and major usages were summarised as follows:

Motor and Motor Related Business:	For developing new 4S dealerships in mainland China and acquisition of motor vehicles for leasing businesses in Hong Kong and mainland China
Food and Consumer Products Business:	Fixtures and fittings, plant and equipment for food manufacturing
Logistics Business:	For construction of logistics facilities in mainland China and Hong Kong
Other Business:	Properties, fixture and fittings
Corporate Office:	Fixtures and fittings

HK$ million	1-6/2010	1-6/2009	Change
Motor and Motor Related Business	**150**	117	33
Food and Consumer Products Business	**30**	41	(11)
Logistics Business	**28**	24	4
Other Business	**12**	2	10
Corporate Office	**7**	9	(2)
Total	**227**	193	34

Use of Proceeds

Net proceeds of the Global Offering of the Group on 17 October 2007 amounted to approximately HK$1,003 million. Up to the end of June 2010, HK$472 million was used by Motor and Motor Related Business for investment and acquisition of 4S shops in mainland China and acquisition of motor vehicles for leasing businesses in Hong Kong and mainland China; HK$148 million was used by Food and Consumer Products Business for investment in new businesses and new shops for Food Mart; HK$250 million was used by Logistics Business for development of logistics facilities in mainland China and Hong Kong; and HK$40 million was used as funding for general working capital and general corporate uses.

Treasury Policy and Risk Management

General policies

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

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

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

Foreign Currency Exposure

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

The Group enters into foreign currency forward contracts primarily for hedging its sales and purchases that are denominated in currencies other than the functional currency of the operations to which they related. As at 30 June 2010, the Group recognised foreign currency forward contracts with a fair value of HK$14 million net liabilities (31 December 2009: HK$15 million net liabilities).

Interest Rate Exposure

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

In 2008, the Group had entered into a number of interest rate swaps with a notional contract amount of HK$300 million to reduce the impact of interest rate fluctuation on its unsecured bank borrowings. These interest rate swaps have been expired in July 2010.

In January and February 2010, the Group had entered into a number of interest rate swaps with a notional contract amount of HK$225 million to reduce the impact of interest rate fluctuation on its unsecured bank borrowings. These interest rate swaps will be expired in March and July 2012.

Employment of Derivative Products

The Group has made use of derivative products to hedge its interest rate and foreign currency exposures. Derivative products are for hedging purpose only and speculative trading is strictly prohibited. Counterparties' credit risks are also carefully reviewed.

Cash Flow

Summary of Consolidated Cash Flow Statement

HK$ million	**1-6/2010**	1-6/2009	Change
Net cash (used in)/generated from operating activities	**(60)**	797	(857)
Net cash used in investing activities	**(282)**	(24)	(258)
Net cash used in financing activities	**(66)**	(651)	585
Net (decrease)/increase in cash and cash equivalents	**(408)**	122	(530)

Net cash (used in)/generated from operating activities

Operating profit before changes in working capital was HK$820 million for the six months ended 30 June 2010 as compared to HK$553 million in the same period in 2009. After taking into account the increase in working capital of HK$738 million which included increase in inventories of HK$792 million and increase in trade and other receivables of HK$457 million, partly offset by the increase in trade and other payables of HK$511 million, cash generated from operations for the period was HK$82 million.

For the six months ended 30 June 2009, working capital decreased by HK$347 million owing to the decrease in inventories by HK$382 million and trade and other receivables of HK$217 million, partly offset by the decrease in trade and other payables of HK$252 million.

After taking into account the tax paid of HK$142 million for the period (1-6/2009: HK$103 million), net cash used in operating activities was HK$60 million (1-6/2009: net cash generated from operating activities HK$797 million).

Net cash used in investing activities

Payments for purchase of fixed assets and lease prepayments for the six months ended 30 June 2010 were HK$227 million (1-6/2009: HK$193 million) and net cash outflow for investments in subsidiaries, associates, jointly controlled entities and other investments during the period was HK$77 million (1-6/2009: net cash inflow HK$31 million). After netting off the proceeds from disposal of fixed assets of HK$22 million (1-6/2009: HK$138 million), net cash used in investing activities was HK$282 million (1-6/2009: HK$24 million).

Net cash used in financing activities

Net cash used in financing activities was HK$66 million for the six months ended 30 June 2010 as compared to HK$651 million in the same period in 2009. This was mainly due to the net proceed from new bank loans and other borrowings of HK$208 million (1-6/2009: net repayment of bank loans and other borrowings of HK$534 million) offset by interest paid of HK$56 million (1-6/2009: HK$64 million), dividends paid to shareholders of the Company of HK$203 million (1-6/2009: HK$53 million) and dividends paid to non-controlling interests HK$15 million (1-6/2009: Nil).

Group Debt and Liquidity

The financial position of the Group as at 30 June 2010, as compared to 31 December 2009, is summarised as follows:

HK$ million	30 June 2010	31 December 2009	Change
Total debt	**2,581**	2,436	145
Cash and bank deposits	**1,407**	1,895	(488)
Net debt	**1,174**	541	633

The original denomination of the Group's borrowings as well as cash and deposit balances by currencies as at 30 June 2010 is summarised as follows:

HK$ million equivalent	HKD	RMB	JPY	USD	CAD	SGD	Others	Total
Total debt	824	1,675	29	12	19	–	22	2,581
Cash and bank deposits	157	957	145	102	2	21	23	1,407
Net debt/(cash)	667	718	(116)	(90)	17	(21)	(1)	1,174

Leverage

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

As at 30 June 2010, the Group's gearing ratio was 16.8%, as compared to 9.0% at 31 December 2009.

HK$ million	30 June 2010	31 December 2009	Change
Net debt	**1,174**	541	633
Shareholders' funds	**5,797**	5,457	340
Total capital	**6,971**	5,998	973
Gearing ratio	**16.8%**	9.0%	7.8%

Net debt increased in the first six months of 2010 was mainly due to the reduction in cash and bank deposits and the increase of HKD and RMB debts partly offset by reduction of SGD debt. The effective interest rate of the Group's borrowings as at 30 June 2010 was 4.1%, the same level as at 31 December 2009.

Maturity Profile of Outstanding Debt

The Group manages its debt maturity profile actively based on its cash flow and refinancing ability during debt maturity. The borrowings were repayable as follows:

	HK$ million	% of total
Within 1 year or on demand	2,112	82%
After 1 year but within 2 years	144	5%
After 2 years but within 5 years	325	13%
Total	2,581	100%

Available Sources of Financing

In addition to cash and bank deposits of HK$1,407 million as at 30 June 2010 (31 December 2009: HK$1,895 million), the Group had undrawn available loan facilities totalling HK$1,792 million (31 December 2009: HK$1,778 million), of which HK$400 million (31 December 2009: HK$600 million) was committed term loans and revolving loans and HK$1,392 million was money market lines (31 December 2009: HK$1,178 million). It also had available trade facilities amounting to HK$4,277 million (31 December 2009: HK$4,067 million). Borrowings by sources of financing as at 30 June 2010 is summarised as follows:

HK$ million	Total	Utilised	Available
Committed Facilities:			
Term Loans and Revolving Loans	1,373	973	400
Uncommitted Facilities:			
Money Market Lines	2,948	1,556	1,392
Trade Facilities	6,027	1,750	4,277

Pledged Assets

As at 30 June 2010, the Group's assets of HK$899 million (31 December 2009: HK$799 million) were pledged in relation to financing of discounted bills in Japan, leasing of vehicles in Canada, issuance of bank acceptance drafts in mainland China, and the mortgage of land and buildings and inventories upon the acquisition of subsidiaries in mainland China.

Capital commitments

Please refer to note 17 to the condensed financial statements for details of capital commitments outstanding at 30 June 2010.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 30 June 2010.

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 2010, the Group had complied with all of the above covenants.

HUMAN RESOURCES

As at 30 June 2010, the Group had a total of 14,030 employees, with 4,139 in Hong Kong, 9,579 in mainland China and 312 in other locations, namely, Taiwan, Singapore, Japan and Canada. Among them, 3,036 were employees of the Group's associates and jointly controlled entities, with 681 in Hong Kong and 2,355 in mainland China. The growth in the number of employees was mainly from mainland China and Taiwan, corresponding with our business growth in these locations.

Human resources development and retention are priorities for the Group. Heavy emphasis is placed on training and development. Besides organising in-house training programs, external training programs are also sponsored. To enable best practices are shared between the Hong Kong and China business units, frequent exchange and experience sharing events are organised to promote best practices transfer between them.

Competitive compensation and benefits are offered to attract, motivate and retain talent. The Group conducts regular reviews of these programs to ensure their market competitiveness and implements the job grading and performance management systems to ensure internal equity.

The Group continues its efforts in employee wellness and corporate social responsibility. Social and recreational activities are organised for employees and their family members to enrich their work and family lives. The Group also collaborates with its employees to contribute to local communities through donations and volunteer work.

CONSOLIDATED INCOME STATEMENT

HK$ million	Note	Unaudited Six months ended 30 June 2010	2009
Turnover	3	**14,117**	9,470
Cost of sales		**(12,353)**	(8,146)
Gross profit		**1,764**	1,324
Net valuation gain/(loss) on investment properties		**36**	(24)
Other income		**189**	193
Selling and distribution expenses		**(725)**	(585)
Administrative expenses		**(533)**	(477)
Profit from operations		**731**	431
Impairment loss on goodwill and intangible assets	4(b)	**(32)**	–
Finance costs	4(a)	**(56)**	(64)
Share of profit after tax of associates		**9**	15
Share of profit after tax of jointly controlled entities		**43**	32
Profit before taxation	4	**695**	414
Income tax	5	**(193)**	(131)
Profit for the period		**502**	283
Attributable to:			
Shareholders of the Company		**480**	270
Non-controlling interests		**22**	13
		502	283
Basic and diluted earnings per share (HK cents)	7	**26.70**	15.02

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 June	
HK$ million	**2010**	2009
Profit for the period	**502**	283
Exchange differences on translation of entities outside Hong Kong:		
– subsidiaries	**60**	(26)
– associates and jointly controlled entities	**5**	–
Other comprehensive income/(loss) for the period	**65**	(26)
Total comprehensive income for the period	**567**	257
Attributable to:		
Shareholders of the Company	**542**	243
Non-controlling interests	**25**	14
	567	257

CONSOLIDATED BALANCE SHEET

HK$ million	Note	Unaudited 30 June 2010	Audited 31 December 2009
Non-current assets			
Fixed assets			
– Property, plant and equipment	8	**1,810**	1,701
– Investment properties	9	**861**	808
		2,671	2,509
Lease prepayments	10	**356**	377
Intangible assets		**255**	263
Goodwill		**259**	287
Interest in associates		**163**	130
Interest in jointly controlled entities		**277**	258
Other financial assets		**7**	5
Deferred tax assets		**46**	40
		4,034	3,869
Current assets			
Inventories		**3,429**	2,621
Assets held for sale	11	**186**	–
Trade and other receivables	12	**3,541**	3,075
Current tax recoverable		**23**	15
Cash and bank deposits	13	**1,407**	1,895
		8,586	7,606
Current liabilities			
Borrowings		**2,112**	2,041
Trade and other payables	14	**3,600**	3,002
Current tax payable		**118**	77
		5,830	5,120
Net current assets		**2,756**	2,486
Total assets less current liabilities		**6,790**	6,355
Non-current liabilities			
Borrowings		**469**	395
Deferred tax liabilities		**235**	204
		704	599
Net assets		**6,086**	5,756
Capital and reserves			
Share capital	15	**270**	270
Reserves		**5,527**	5,187
Total equity attributable to shareholders of the Company		**5,797**	5,457
Non-controlling interests		**289**	299
Total equity		**6,086**	5,756

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

HK$ million	Unaudited For the six months ended 30 June 2010 Attributable to shareholders of the Company												
	Share capital	Share premium	General reserve	Capital reserve	Statutory surplus reserve	Merger reserve	Share option reserve	Exchange fluctuation reserve	Asset revaluation reserve	Retained profits	Total	Non-controlling interests	Total equity
At 1 January 2010	**270**	**976**	**248**	**143**	**35**	**1**	**25**	**444**	**2**	**3,313**	**5,457**	**299**	**5,756**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**62**	**–**	**480**	**542**	**25**	**567**
Acquisition of interests from non-controlling interests	**–**	**–**	**1**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1**	**(20)**	**(19)**
Dividends (note 6(b))	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(203)**	**(203)**	**–**	**(203)**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(15)**	**(15)**
At 30 June 2010	**270**	**976**	**249**	**143**	**35**	**1**	**25**	**506**	**2**	**3,590**	**5,797**	**289**	**6,086**

HK$ million	Unaudited For the six months ended 30 June 2009 Attributable to shareholders of the Company												
	Share capital	Share premium	General reserve	Capital reserve	Statutory surplus reserve	Merger reserve	Share option reserve	Exchange fluctuation reserve	Asset revaluation reserve	Retained profits	Total	Non-controlling interests	Total equity
At 1 January 2009	270	976	239	143	26	1	26	436	2	2,746	4,865	295	5,160
Total comprehensive income for the period	–	–	–	–	–	–	–	(27)	–	270	243	14	257
Acquisition of interests from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(1)	(1)
Capital injection by non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	2	2
Transfer from retained profits	–	–	–	–	1	–	–	–	–	(1)	–	–	–
Dividends (note 6(b))	–	–	–	–	–	–	–	–	–	(53)	(53)	–	(53)
At 30 June 2009	270	976	239	143	27	1	26	409	2	2,962	5,055	310	5,365

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

HK$ million	Note	Unaudited Six months ended 30 June 2010	2009
Net cash (used in)/generated from operating activities		**(60)**	797
Net cash used in investing activities		**(282)**	(24)
Net cash used in financing activities		**(66)**	(651)
Net (decrease)/increase in cash and cash equivalents		**(408)**	122
Cash and cash equivalents at 1 January		**1,647**	1,464
Effect of foreign exchange rates changes		**15**	(8)
Cash and cash equivalents at 30 June	13	**1,254**	1,578

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Basis of preparation

These unaudited condensed 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 provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These unaudited condensed consolidated interim financial statements have been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 December 2009, except as set out in note 2 below. They should be read in conjunction with the annual financial statements for the year ended 31 December 2009.

2. Changes in accounting policies

The Group has adopted all relevant new and revised Hong Kong Financial Reporting Standards ("HKFRSs") and HKASs, amendments and interpretations, which are effective for accounting periods beginning on or after 1 January 2010. The adoption of these new and revised standards, amendments and interpretations have no significant impact on the Group's results of operations and financial position for the current or comparative periods nor any significant changes in the Group's accounting policies. The relevant revised HKFRS and HKAS are discussed as follows:

(a) HKFRS 3 (Revised) "Business Combinations"

The HKFRS 3 (Revised) requires that in a business combination achieved in stages, the previously held equity interest in the acquiree is remeasured at its acquisition date fair value, and any difference from the carrying value is recognised in profit or loss. The fair value at acquisition date of any contingent purchase consideration is included in the cost of acquisition. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

There is a choice on a transaction-by-transaction basis to measure non-controlling interests (previously known as "minority interests") in the acquiree either at fair value, or at their proportionate share of the acquiree's identifiable net assets, at the acquisition date.

(b) HKAS 27 (Revised) "Consolidated and Separate Financial Statements"

HKAS 27 (Revised) requires that the changes in ownership interest in an existing subsidiary (but where the Group still retains control) be accounted for as a transaction with shareholders in their capacity as owners and be recognised directly in equity. Therefore, no goodwill and profit or loss will be recognised.

When the control of a subsidiary is lost, the transaction will be accounted for as a disposal of the entire interest in that subsidiary, with any remaining interest retained by the Group being recognised at fair value and the resulting fair value re-measurement gain or loss being recognised in profit or loss.

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

3. Segment reporting

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

HK$ million	Motor and Motor Related Business				Food and Consumer Products Business							
Unaudited **Six months ended 30 June 2010**	Hong Kong & Macao	Mainland China	Other Markets	Sub-total	Hong Kong & Macao	Mainland China	Other Markets	Sub-total	Logistics Business	Other Business	Inter-segment elimination	Total
Turnover from external customers	2,019	8,147	493	10,659	1,632	1,245	418	3,295	118	45	–	14,117
Inter-segment turnover	1	–	–	1	1	–	–	1	48	22	(72)	–
Segment Turnover	2,020	8,147	493	10,660	1,633	1,245	418	3,296	166	67	(72)	14,117
Segment result from operations	166	451	12	629	62	20	(25)	57	15	33	–	734
Share of profit/(loss) after tax of associates	–	(1)	–	(1)	–	10	–	10	–	–	–	9
Share of profit after tax of jointly controlled entities	4	6	–	10	30	1	–	31	–	2	–	43
Segment profit/(loss) before taxation	170	456	12	638	92	31	(25)	98	15	35	–	786
Segment income tax	(27)	(122)	(2)	(151)	(12)	(7)	(3)	(22)	(4)	(2)	–	(179)
Segment profit/(loss) after taxation	143	334	10	487	80	24	(28)	76	11	33	–	607
Reconciliation:												
Net valuation gain on investment properties												36
Net loss on disposal of a subsidiary												(1)
Amortisation of fair value adjustment on property, plant and equipment and intangible assets arising from business combinations												(15)
Impairment loss on goodwill												(29)
Impairment loss on intangible assets												(3)
Net fair value gain on foreign currency forward contracts												1
Unallocated corporate expenses												(80)
Reconciliation items before tax												(91)
Tax impact:												
De-recognition of deferred tax assets (note 5)												(21)
Tax effect on the above reconciliation items												7
Reconciliation items net of tax												(105)
Profit for the period												502

3. Segment reporting (continued)

HK$ million	Motor and Motor Related Business				Food and Consumer Products Business							
Unaudited Six months ended 30 June 2009	Hong Kong & Macao	Mainland China	Other Markets	Sub-total	Hong Kong & Macao	Mainland China	Other Markets	Sub-total	Logistics Business	Other Business	Inter-segment elimination	Total
Turnover from external customers	1,323	4,834	305	6,462	1,466	959	443	2,868	98	42	–	9,470
Inter-segment turnover	1	–	–	1	–	–	–	–	49	14	(64)	–
Segment Turnover	1,324	4,834	305	6,463	1,466	959	443	2,868	147	56	(64)	9,470
Segment result from operations	107	223	6	336	51	13	(33)	31	12	26	–	405
Share of profit/(loss) after tax of associates	–	(1)	–	(1)	–	16	–	16	–	–	–	15
Share of profit after tax of jointly controlled entities	1	2	–	3	27	–	–	27	–	2	–	32
Segment profit/(loss) before taxation	108	224	6	338	78	29	(33)	74	12	28	–	452
Segment income tax	(14)	(75)	1	(88)	(9)	(6)	(3)	(18)	(2)	(1)	–	(109)
Segment profit/(loss) after taxation	94	149	7	250	69	23	(36)	56	10	27	–	343
Reconciliation:												
Net valuation loss on investment properties												(24)
Net gain on disposal of an investment property												23
Net loss on disposal of subsidiaries												(1)
Amortisation of fair value adjustment on property, plant and equipment and intangible assets arising from business combinations												(12)
Net fair value gain on foreign currency forward contracts												37
Unallocated corporate expenses												(61)
Reconciliation items before tax												(38)
Tax impact:												
De-recognition of deferred tax assets (note 5)												(51)
Tax effect on the above reconciliation items												29
Reconciliation items net of tax												(60)
Profit for the period												283

4. Profit before taxation

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

HK$ million	Unaudited Six months ended 30 June 2010	2009
(a) Finance costs		
Interest on bank advances and other borrowings wholly repayable within five years	**56**	64
(b) Other items		
Amortisation:		
– lease prepayments	**5**	3
– intangible assets	**9**	7
Depreciation	**116**	117
Net write-down/(reversal of write-down) of inventories	**5**	(22)
Impairment losses provided:		
– goodwill	**29**	–
– intangible assets	**3**	–
– property, plant and equipment	**2**	2
– trade and other receivables	**1**	32
Net gain on disposal of property, plant and equipment	**(4)**	(2)
Net gain on disposal of an investment property	**–**	(23)
Net loss on disposal of subsidiaries	**1**	1
Interest income	**(5)**	(5)

5. Income tax

Hong Kong Profits Tax is calculated at 16.5% (2009: 16.5%) on the estimated assessable profit for the period. Taxation outside Hong Kong is calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

Income tax charge represents:

	Unaudited Six months ended 30 June	
HK$ million	**2010**	2009
Current income tax		
– Hong Kong Profits Tax	**40**	30
– Outside Hong Kong	**133**	71
	173	101
Deferred tax		
– Origination and reversal of temporary differences	**(1)**	(22)
– De-recognition of deferred tax assets (note)	**21**	51
	20	29
Withholding tax	**–**	1
Total	**193**	131

Note: Based on the latest available information, the directors are of the opinion that the utilisation of the tax losses of a subsidiary brought forward from prior years may not be probable. Accordingly, the corresponding deferred tax assets of HK$21 million (30 June 2009: HK$51 million) were derecognised during the period ended 30 June 2010.

6. Dividends

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

	Unaudited Six months ended 30 June	
HK$ million	**2010**	2009
Interim dividend declared after the balance sheet date of 10.68 HK cents (2009: 4.51 HK cents) per share	**192**	81

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

6. Dividends (continued)

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

HK$ million	Unaudited Six months ended 30 June **2010**	2009
2009 final dividend approved and paid of 11.29 HK cents (2008: 2.95 HK cents) per share	**203**	53

7. Basic and diluted earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2010 is based on the profit attributable to shareholders of the Company of HK$480 million (2009: HK$270 million) and the 1,797,833,000 ordinary shares in issue during the period (2009: 1,797,833,000 ordinary shares).

(b) Diluted earnings per share

The diluted earnings per share for the periods ended 30 June 2009 and 2010 are not presented as the potential ordinary shares in respect of outstanding share options are anti-dilutive.

8. Property, plant and equipment

HK$ million	**Unaudited 30 June 2010**	Audited 31 December 2009
Opening net book value	**1,701**	1,634
Exchange adjustments	**18**	9
Additions	**227**	373
Acquisition of subsidiaries	**–**	11
Disposals	**(18)**	(87)
Depreciation	**(116)**	(227)
Impairment loss	**(2)**	(12)
Closing net book value	**1,810**	1,701

9. Investment properties

HK$ million	Unaudited 30 June 2010	Audited 31 December 2009
Opening net book value	**808**	910
Exchange adjustments	**17**	(5)
Disposals	**–**	(85)
Fair value adjustment	**36**	(12)
Closing net book value	**861**	808

10. Lease prepayments

HK$ million	Unaudited 30 June 2010	Audited 31 December 2009
Opening net book value	**377**	270
Exchange adjustments	**3**	2
Additions	**–**	108
Acquisition of subsidiaries	**–**	5
Transfer to assets held for sale (note 11)	**(19)**	–
Amortisation	**(5)**	(8)
Closing net book value	**356**	377

11. Assets held for sale

The interest in a jointly controlled entity with a carrying value of HK$167 million and certain leasehold or self-owned properties located in Singapore and Hong Kong with a total carrying value of HK$19 million are classified as assets held for sale as at 30 June 2010, following the Group's plans to dispose of these assets.

12. Trade and other receivables

HK$ million	**Unaudited 30 June 2010**	Audited 31 December 2009
Trade debtors and bills receivable	**1,532**	1,489
Less: Provision for impairment on doubtful debts	**(62)**	(61)
	1,470	1,428
Other receivables, deposits and prepayments	**1,873**	1,438
Amounts due from fellow subsidiaries	**–**	1
Amounts due from associates	**28**	27
Amounts due from jointly controlled entities	**170**	181
Total	**3,541**	3,075

As at 30 June 2010, foreign currency forward contracts with a fair value of HK$3 million (31 December 2009: HK$2 million) were included in other receivables, deposits and prepayments.

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

HK$ million	**Unaudited 30 June 2010**	Audited 31 December 2009
Within 3 months	**1,399**	1,357
More than 3 months but within 1 year	**65**	61
Over 1 year	**6**	10
Total	**1,470**	1,428

The Group grants credit to the customers of each major business segments as below:

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

13. Cash and cash equivalents

HK$ million	Unaudited 30 June 2010	Audited 31 December 2009
Cash and bank deposits	**1,407**	1,895
Less:		
Bank deposits with maturity over three months from date of deposit	**(2)**	–
Pledged deposits	**(148)**	(239)
Bank overdrafts	**(3)**	(9)
Cash and cash equivalents	**1,254**	1,647

14. Trade and other payables

HK$ million	Unaudited 30 June 2010	Audited 31 December 2009
Trade creditors and bills payable	**1,705**	1,460
Other payables and accrued charges	**1,628**	1,337
Provision for warranties	**112**	113
Amounts due to jointly controlled entities	**1**	9
Amounts due to non-controlling interests	**154**	83
Total	**3,600**	3,002

As at 30 June 2010, foreign currency forward contracts with a fair value of HK$17 million (31 December 2009: HK$17 million) were included in other payables and accrued charges.

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

HK$ million	Unaudited 30 June 2010	Audited 31 December 2009
Current or within 1 month	**1,640**	1,392
More than 1 month but within 3 months	**41**	49
More than 3 months but within 6 months	**5**	5
Over 6 months	**19**	14
Total	**1,705**	1,460

15. Share Capital

Neither the Company nor any of its subsidiary companies purchased or sold any of the Company's shares during the period ended 30 June 2010 and the Company did not redeem any of its shares during the period ended 30 June 2010. As at 30 June 2010, 1,797,833,000 ordinary shares (31 December 2009: 1,797,833,000 ordinary shares) were in issue.

16. Business combinations

(i) In January 2010, the Group has acquired a 50% interest in 深圳市深業實業有限公司 (Shenzhen Shenye Shiye Limited) ("Shenye") at a consideration of RMB126.5 million. Shenye is engaged in sales of motor vehicles and spare parts, to provide after sales services and to conduct customer surveys for the manufacturers or suppliers. The fair value of net assets and intangible assets acquired are RMB62.9 million and RMB57.2 million respectively. The acquisition resulted in a recognition of goodwill of approximately RMB6.4 million, which is attributable mainly to the benefit of skills and technical talent of the acquired business's work force and the synergies expected to be achieved from integrating the entities into the Group's existing businesses.

(ii) In March 2010, the Group has acquired the remaining 40% interest in Regal Heights Limited, which held 76.77% interest in 上海大昌江南鳳有限公司 (Shanghai DCH Jiangnanfeng Co., Ltd.) ("JNF") at a consideration of HK$12 million. The Group intends to develop the business of JNF into an upstream fast moving consumer goods/food processing base in mainland China. The acquisition resulted in a release of non-controlling interest of approximately HK$14 million at the acquisition date.

(iii) In May 2010, the Group extended its interest in 上海山隆實業有限公司 (Shanghai Sunny Life Enterprise) ("Sunny Life") from 60% to 71% at a consideration of RMB7 million. Sunny Life is engaged in food trading business in mainland China. The acquisition resulted in a release of non-controlling interest of approximately HK$7 million at the acquisition date.

17. Capital commitments

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

HK$ million	**Unaudited 30 June 2010**	Audited 31 December 2009
Contracted for		
– Capital expenditure	**181**	100
– Investment in an associate	**19**	41
– Investment in a jointly controlled entity	**–**	41
– Others	**–**	8
Total	**200**	190
Authorised but not contracted for		
– Capital expenditure	**247**	246
– Others	**–**	12
Total	**247**	258

18. Material related party transactions

During the period, the Group had the following material related party transactions:

(a) Recurring transactions

HK$ million	Note	Unaudited Six months ended 30 June **2010**	 2009
Transactions with jointly controlled entities			
Sales	(i)	**48**	13
Transactions with fellow subsidiaries			
Rental expenses	(i)	**45**	46
Transactions with affiliates	(ii)		
Service income	(i)	**1**	26

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) Affiliates represent associates and jointly controlled entities of the intermediate and ultimate holding company.

(b) Bank balance and bills payable with a fellow subsidiary

As at 30 June 2010, the Group had bank balance and bills payable with a fellow subsidiary of HK$32 million (31 December 2009: HK$47 million) and HK$60 million (31 December 2009: HK$59 million) respectively. The terms and conditions of deposits and borrowings were set out in the respective agreements or as mutually agreed with the concerned financial institution at commercial terms similar to those with independent third parties.

(c) Transactions with state-owned enterprises

Other than those transactions as disclosed above, the Group has certain transactions with other state-owned enterprises including but not limited to sales and purchases of goods and services, use of utilities, depositing and borrowing money.

The sales and purchases transactions are conducted in the ordinary course of the Group's businesses on terms comparable to those with other entities that are not state-owned. The terms and conditions of deposits and borrowings were set out in the respective agreements or as mutually agreed with the concerned financial institutions at commercial terms similar to those with independent third parties.

Having considered the potential transactions to be impacted by related party relationships, the entity's pricing strategy, purchasing and approval processes, and the relevant information that would be necessary for an understanding of the potential effect of the relationship on the financial statements, there are no transactions with other state-owned enterprises that require disclosure as related party transactions.

19. Ultimate holding company

At 30 June 2010, the directors consider the ultimate holding company of the Group to be CITIC Group (a state-owned enterprise incorporated in the People's Republic of China).

20. Post balance sheet events

(i) In May 2010, the Group entered into an agreement to sell a property situated in Hong Kong at a consideration of HK$123.6 million. The disposal is expected to be completed subsequent to the balance sheet date. The Group is expected to make a profit of approximately HK$122 million from this transaction.

(ii) In June 2010, the Group entered into an agreement to sell its entire 50% interest in Shiseido Dah Chong Hong Cosmetics Limited ("Shiseido DCH") to Shiseido Company, Limited ("Shiseido Japan"), at a consideration of HK$500 million. Shiseido DCH is engaged in the management, operation, sales, marketing, and brand development of Shiseido Japan's products in Hong Kong, Macao and the Guangdong province in the People's Republic of China. Upon completion of the disposal in July 2010, the Group will no longer have any equity interest in Shiseido DCH. The Group is expected to make a profit of approximately HK$330 million from this transaction.

(iii) In July 2010, the Company has granted share options to certain directors and employees of the Group to subscribe for a total of 23,400,000 ordinary shares in the share capital of the Company at an exercise price of HK$4.766 per share under the Post-IPO Share Option Scheme adopted on 28 September 2007. The share options are fully vested on the date of grant and are exercisable in whole or in part within 5 years from the date of grant.

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

(Incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 20 to 36 which comprises the consolidated balance sheet of Dah Chong Hong Holdings Limited as of 30 June 2010 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six months period then ended and 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

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2010 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

16 August 2010

DIVIDEND AND CLOSURE OF REGISTER

The directors have declared an interim dividend of 10.68 HK cents per share for the year ending 31 December 2010 payable on Tuesday, 21 September 2010 to shareholders whose names appear on the Register of Members of the Company on Tuesday, 14 September 2010. The Register of Members of the Company will be closed from Wednesday, 8 September 2010 to Tuesday, 14 September 2010, 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 Tuesday, 7 September 2010.

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 further options can be, or have been, offered or granted under the Pre-IPO Scheme as from 17 October 2007, the date of the commencement of dealings in the Company's shares on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

All options granted and accepted were 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 exercised, cancelled or lapsed during the six months ended 30 June 2010. A summary of the movements of the options during the six months ended 30 June 2010 is as follows:

(a) Directors of the Company

Name of director	Date of grant	Exercise period	Exercise price per share HK$	Number of options: Balance as at 1.1.10	Granted during the 6 months ended 30.6.10	Lapsed/ Cancelled/ Exercised during the 6 months ended 30.6.10	Balance as at 30.6.10	Percentage to the issued share capital
Hui Ying Bun	3.10.07	17.4.08-2.10.12	5.88	1,700,000	–	–	1,700,000	0.095%
Chu Hon Fai	3.10.07	17.4.08-2.10.12	5.88	1,200,000	–	–	1,200,000	0.067%
Yip Moon Tong	3.10.07	17.4.08-2.10.12	5.88	1,000,000	–	–	1,000,000	0.056%
Mak Kwing Tim	3.10.07	17.4.08-2.10.12	5.88	800,000	–	–	800,000	0.044%
Lau Sei Keung	3.10.07	17.4.08-2.10.12	5.88	800,000	–	–	800,000	0.044%
Tsoi Tai Kwan, Arthur	3.10.07	17.4.08-2.10.12	5.88	800,000	–	–	800,000	0.044%
Glenn Robert Sturrock Smith	3.10.07	17.4.08-2.10.12	5.88	500,000	–	–	500,000	0.028%

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

Date of grant	Exercise period	Exercise price per share HK$	Number of options: Balance as at 1.1.10	Granted during the 6 months ended 30.6.10	Lapsed/ Cancelled/ Exercised during the 6 months ended 30.6.10	Balance as at 30.6.10	Percentage to the issued share capital
3.10.07	17.4.08-2.10.12	5.88	10,100,000	–	–	10,100,000	0.562%

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 since its adoption up to the six months ended 30 June 2010.

Subsequent to the period under review, the Company granted share options to certain directors and employees of the Group on 7 July 2010 to subscribe for a total of 23,400,000 ordinary shares in the share capital of the Company under the Post-IPO Scheme. For more details, please refer to note 20(iii) of the condensed financial statements.

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 2010 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 to the issued share capital
Hui Ying Bun	716,000	0.040%
Chu Hon Fai	250,000	0.014%
Yip Moon Tong	300,000(Note 1)	0.017%
Mak Kwing Tim	200,000	0.011%
Lau Sei Keung	500,000	0.028%
Tsoi Tai Kwan, Arthur	121,000(Note 2)	0.007%
Glenn Robert Sturrock Smith	50,000	0.003%

Notes:

1. Jointly held with his spouse.

2. Interest by attribution in respect of 1,000 shares and personal interest in respect of 120,000 shares.

2. Shares in an associated corporation, CITIC Pacific Limited

Name of director	Number of shares Personal interests	Percentage to the issued share capital
Hui Ying Bun	637,000	0.01746%
Chu Hon Fai	293,000	0.00803%
Mak Kwing Tim	5,000	0.00014%
Lau Sei Keung	1,000	0.00003%
Tsoi Tai Kwan, Arthur	18,000	0.00049%

3. Shares in an associated corporation, China CITIC Bank Corporation Limited

Name of director	Number of shares Personal interests	Percentage to the issued share capital
Cheung Kin Piu, Valiant	912,000	0.007%

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

				Number of options				
Name of director	Date of grant	Exercise Period	Exercise price per share HK$	Balance as at 1.1.10	Granted during the 6 months ended 30.6.10	Lapsed/ Cancelled/ Exercised during the 6 months ended 30.6.10	Balance as at 30.6.10	Percentage to the issued share capital
Hui Ying Bun	20.6.06	20.6.06-19.6.11	22.10	300,000	–	–	300,000	0.008%
Chu Hon Fai	20.6.06	20.6.06-19.6.11	22.10	200,000	–	–	200,000	0.005%
Kwok Man Leung	16.10.07	16.10.07-15.10.12	47.32	600,000	–	–	600,000	
	19.11.09	19.11.09-18.11.14	22.00	500,000	–	–	500,000	
							1,100,000	0.030%
Fei Yiping	19.11.09	19.11.09-18.11.14	22.00	300,000	–	–	300,000	0.008%

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

6. Options in an associated corporation, CITIC 1616 Holdings Limited

Name of director	Date of grant	Exercise Period	Exercise price per share HK$	Number of options: Balance as at 1.1.10	Granted during the 6 months ended 30.6.10	Lapsed/ Cancelled/ Exercised during the 6 months ended 30.6.10	Balance as at 30.6.10	Percentage to the issued share capital
Kwok Man Leung	17.9.09	17.9.10-16.9.15	2.10	150,000	–	–	150,000	
	17.9.09	17.9.11-16.9.16	2.10	150,000	–	–	150,000	
							300,000	0.013%

Note: The options were granted by CITIC 1616 Holdings Limited, a fellow subsidiary of the Company.

Save as disclosed above, as at 30 June 2010, 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 2010, the interests of the substantial shareholders 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 Group	1,054,800,000	58.67%
CITIC Pacific Limited	1,018,800,000	56.67%
Davenmore Limited	1,018,800,000	56.67%
Colton Pacific Limited	800,922,200	44.55%
Chadacre Developments Limited	245,102,000	13.63%
Ascari Holdings Ltd.	217,877,800	12.12%
Cornaldi Enterprises Limited	95,317,400	5.30%

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.

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

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

CITIC Group was deemed to be interested in 1,054,800,000 shares through its non-wholly owned subsidiary, CITIC Pacific Limited, as to 1,018,800,000 shares and its wholly-owned subsidiary, Hainsworth Limited, as to 36,000,000 shares.

SHARE BUYBACK

The Company has not redeemed any of its shares during the six months ended 30 June 2010.

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 2010.

UPDATE ON DIRECTORS' INFORMATION

The following disclosure is made pursuant to Rule 13.51B(1) of the Listing Rules. Mr Yin Ke, a non-executive director of the Company, has resigned as a non-executive director of Zhongxing Shenyang Commercial Building Group Company Limited (a company listed on the Shenzhen Stock Exchange) with effect from 15 March 2010.

CORPORATE GOVERNANCE

The Company 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 35 of the 2009 Annual Report and the Company's website www.dch.com.hk.

Throughout the six months ended 30 June 2010, the Company 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 2010 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 2010.

DEFINITION OF TERMS

Terms

Total debt	Short term and long term loans, plus bank overdrafts
Net debt	Total debt less cash and bank deposits
Total capital	Shareholders' funds plus net debt

Ratios

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

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

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

Return on equity $= \dfrac{\text{Profit attributable to shareholders (annualised)}}{\text{Average shareholders' funds at the beginning and at the end of the period}}$

Segment margin $= \dfrac{\text{Segment profit after taxation}}{\text{Segment turnover from external customers}}$

CORPORATE INFORMATION

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Website
www.dch.com.hk contains a description of the Company's business, copies of interim and annual reports to shareholders, announcements, press releases and other information

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

Share 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:	8 September 2010 to 14 September 2010
Interim Dividend payable:	21 September 2010

Interim Report 2010
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: dch@dch.com.hk.

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