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

Vitality and Professionalism

OUR CHINA MOMENTUM

Interim Report **2012**

Stock Code: 01828

Vitality • Professionalism

OUR CHINA MOMENTUM

Dah Chong Hong Holdings Limited ("DCH" or "the Group") is a business conglomerate with key interest in consumer products and has gained strong foothold in the Greater China, Singapore and Japan markets. It has a diversified business portfolio with three core businesses: Motor and Motor Related Business, Food and Consumer Products Business, and Logistics Business. With mainland China as the focus of growth for the Group, we will capitalise on our solid foundations and extensive distribution network to sustain our business growth, generating remarkable contributions to the Group and to our shareholders.

CONTENTS

OUR THREE CORE BUSINESSES

MOTOR & MOTOR RELATED BUSINESS

FOOD & CONSUMER PRODUCTS BUSINESS

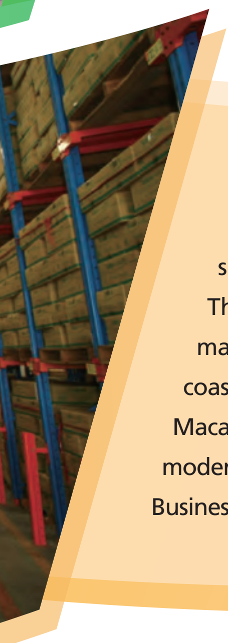
LOGISTICS BUSINESS

DCH is a prominent company in the automotive industry in the Greater China, operating a diversified portfolio of Motor and Motor Related Business. DCH is one of the leading vehicle distributors and dealers in the region representing 22 renowned international brands in mainland China including FAW Audi, Bentley, SGM Buick, Isuzu, Lexus, Mercedes Benz, and 12 brands in Hong Kong and Macao, covering Audi, Bentley, Honda, Infiniti, Isuzu, Nissan, etc.

We also engage in an extensive range of Motor Related Business including motor leasing, independent service outlets, used car trading, special purpose vehicle engineering, as well as auto parts and vehicle environmental products distribution in Hong Kong and mainland China.

With over 50 years of experience in Food Business, DCH has expanded into food manufacturing, distribution and retailing, forging a Total Food Supply Chain. In upstream food manufacturing, we offer a wide range of frozen and chilled food products as well as tea and coffee. In midstream food trading, we distribute a variety of food commodities and represent hundreds of international fast moving consumer goods ("FMCG") brands and have developed an extensive distribution network throughout Hong Kong and mainland China. In retailing, we operate 85 DCH Food Mart outlets in Hong Kong.

Our Electrical Appliances Division is dedicated for distributing internationally-renowned home appliances and high-end audio-visual products in the PRC and Hong Kong.



DCH offers modern logistics solutions with full spectrum of services, including packing and repacking, multi-temperature cold storage, bonded warehousing, supply chain management solution, customs clearance and declaration. Throughout years, we have developed nation-wide distribution capabilities in mainland China and a seamless modern cold-chain logistics network along the coastal area covering southern and eastern China, extended from Hong Kong, Macao, Xinhui, Shenzhen, Guangzhou, Xiamen to Shanghai. These established modern logistics facilities not only provide strong supports to the Group's Food Business but also to third party customers.

FINANCIAL HIGHLIGHTS

HK$ million	Six months ended 30 June **2012**	 2011
Turnover	**23,636**	19,814
Profit from operations	**955**	993
Profit attributable to shareholders	**650**	801
Segment profit after taxation		
Motor and Motor Related Business	**541**	705
Food and Consumer Products Business	**65**	45
Logistics Business	**3**	5
Other Business	**37**	32

HK$ million	**30 June 2012**	31 December 2011
Total debt	**7,253**	5,784
Cash and bank deposits	**2,033**	2,854
Net debt	**5,220**	2,930
Shareholders' funds	**8,277**	7,909
Total capital	**13,497**	10,839
Capital employed	**15,530**	13,693
Net gearing ratio	**38.7%**	27.0%

HK cents	Six months ended 30 June **2012**	 2011
Basic earnings per share	**35.64**	44.06
Diluted earnings per share	**35.51**	43.87
Interim dividend per share	**11.78**	14.30

BALANCED PORTFOLIO DRIVES BUSINESS FORWARD

TOTAL TURNOVER

19.3% ↑

In the first half of 2012, although the economic growth of the Greater China market was affected by the slowdown in the global economy, Dah Chong Hong Holdings Limited ("DCH" or "the Group") remained on the right track and maintained its growth momentum through a balanced business portfolio and its sustainable business strategy. I am pleased to report that for the six months ended 30 June 2012, the turnover of DCH enjoyed an increase of 19.3% to HK$23,636 million, compared with HK$19,814 million in the same period last year. However, the keen competition in the motor dealership business reduced gross margins on new car sales in mainland China. As a result, profit from operations dropped by 3.8% to HK$955 million. Profit attributable to shareholders decreased by 18.9% to HK$650 million with the increase in finance charge and the decrease in net gain on remeasurement of investment properties. Basic earnings per share were down 19.1% to 35.64 HK cents. The board of directors of DCH ("the Board") has declared an interim dividend for the first half of 2012 of 11.78 HK cents per share compared with 14.30 HK cents in 2011.

MOMENTUM CONTINUES IN MOTOR BUSINESS

Our Motor Business segment turnover surged 21.3% to HK$19,322 million from HK$15,929 million in the same period last year. However, segment result from operations dropped by 17.9% to HK$761 million mainly attributable to the reduced gross margin on new car sales in the PRC. The competition in the PRC car dealership market is still keen but there are signs that the situation has been stabilised.

Whilst the overall unit sales in the China automotive market grew 2.9% year-on-year, we have achieved a solid growth of 13.9%, with most of the increment from the dealership business. The dealership revenue from new car sales was up by 16.9%, while revenue from after-sales service of 4S shops recorded a robust growth of 33.4% which represents 9.2% of the total dealership revenue.

After several years of rapid expansion, under the present economic and market environment, the new vehicle market in the PRC is expected to grow by mid-single digit this year. Production and sales disparities, along with the trend of major cities to implement policies restricting the number of vehicles have changed the competitive landscape of the market. Rising inventory levels and price competition have exerted pressure on profit margins and have led to consolidation in the market.

We believe that only professional and financially strong dealership operators with well-structured management, a diversified brand portfolio and an extensive network can remain in the arena. The resulting market consolidation will create opportunities for the Group for further expansion as we remain confident in the prospects of the PRC automotive market and will extend our investment in the dealership business to more new locations and new mid-to-high-end brands. Our target of adding 15 4S dealerships every year remains the same for the next three years, but we will proceed cautiously this year in view of the current market conditions.

To enhance our resilience in the turbulent market, we are keen to establish an integrated motor business platform that covers a full suite of motor related services such as motor leasing, independent service outlets, as well as sales of accessories and consumables to enhance profitability. Going forward, Motor Related Business, including after-sales service, will be one of the key drivers in our growth strategy.

The Motor Business in Taiwan is an integral part of our Greater China strategy. We are pleased with the progress in the first half of 2012 with the commencement of sales activities of the *Isuzu* distributorship and new facilities of *Audi* and *Isuzu* are gradually ramping up operations in the next 12 months.

In Hong Kong and Macao, European cars maintained their market leadership in the first half of 2012, supported by the favourable exchange rate. Facing the keen competition presented by numerous new models from major competitors, our unit sales of new vehicles dropped by 6.5%. We are positive that the situation will improve in the second half of 2012 with the arrival of new models. Meanwhile, the development of our environmental initiatives and new developments in our Motor Related Business are on track which will maintain the diversity of our Motor Business and boost our performance in various market environments.

EXPANDED FOOD AND CONSUMER PRODUCTS BUSINESS

The segment turnover from the Food and Consumer Products Business recorded a 10.4% rise to HK$4,074 million compared to HK$3,691 million in the same period last year. Segment result from operations grew by 25.0% with the improvement in segment margin in both Hong Kong and the PRC market.

Our historical strength in midstream distribution together with our upstream initiatives in food manufacturing has contributed to revenue growth. This Total Food Supply Chain strategy has borne fruit not only in pushing up our top-line but also cementing our foothold across the entire value chain, bringing value to our partners, fostering development of our house-brand and expanding the Group's market presence in mainland China. The successful production launch of the *Pocari Sweat* Phase-2 manufacturing plant and the *CJ* dumpling plant as well as the commencement of the joint venture ("JV") with Brasil Foods S.A. ("BRF") this year adequately demonstrate this strategy in action.

The mid-stream business in mainland China continues to offer steady growth in view of the rising income per capita and the increasing attention to food safety favouring high quality renowned fast moving consumer goods ("FMCG") as well as imported chilled and frozen meats. We intend to expand our sales network and the product portfolio to satisfy the demand and expect substantial development in this segment.

To expand our business further downstream, in anticipation of the increasing demand for imported mid-to-up-market audio-visual products in mainland China, the Group will open more retail outlets of *DCH AV* shops in order to capture a wider customer base and secure more product agencies. We believe this strategy will boost our audio-visual products business in the PRC market. In Hong Kong, our *Food Mart* and *Food Mart Deluxe* retail chains will continue opening more outlets to gain a larger downstream market share.

ENRICHED LOGISTICS FACILITIES CREATE SYNERGIES AND REVENUE

The segment turnover was HK$233 million in the first six months of 2012, representing a growth of 23.9% compared to the same period last year. Thanks to the Shanghai cold chain acquired end of last year and the organic growth of our Xinhui logistics hub, revenue from mainland China surged 87.9% year-on-year. Our nationwide logistics network, spanning Shanghai, Xinhui, Xiamen, Guangzhou, Shenzhen, Hong Kong and Macao, creates synergies with the Group's Total Food Supply Chain strategy, driving down costs while bringing value-added services to the Group's business partners and our third-party customers.

STRONG FINANCIAL POSITION

The economy of the Greater China market is expected to remain sluggish in the second half of 2012. Under this uncertain economic environment, a strong financial position is critical to the success of a company's business. Our balance sheet remains sound, with a strong cash flow generated from operations supporting capital expenditure, new investments and increase in working capital requirement of the Group. The proceeds from the disposal of investment properties and bank support also help finance our future development.

In February 2012, the Group entered into an agreement for the disposal of an investment property in Hong Kong at a consideration of HK$405 million. The transaction is expected to be completed by the end of this year.

CONCLUSION

We remain positive on the long term outlook of the automotive market in mainland China despite the current unfavourable global economic environment having an adverse impact on new car sales in the short term. On the other hand, we see increasing synergies among the various business units in Food and Logistics in building up our Total Food Supply Chain hence uplifting the profit contribution to the Group. Managed by a team of dedicated professionals, we are on the right track to drive our business forward through this balanced portfolio strategy. We are confident that we can deliver a solid performance for our shareholders in the future.

I would like to take this opportunity to thank our colleagues for their contributions to the Group. We will continue to devote our efforts and resources to talent development in order to create a strong professional team that sustains the long-term growth of the Group.

Hui Ying Bun
Chairman

Hong Kong, 15 August 2012

BUSINESS REVIEW AND OUTLOOK

OPERATING RESULTS

For the first six months of 2012, the Group recorded a turnover of HK$23,636 million, an increase of 19.3% against the same period last year. However, profit attributable to shareholders decreased by 18.9% to HK$650 million with the increase in finance charges and the decrease in net gain on remeasurement of investment properties when compared with the same period last year. The adjusted net profit for the period, after excluding the net gain on remeasurement of investment properties and property held for sale, and other non-operating items, amounted to HK$538 million, a drop of 17.5% when compared with HK$652 million in the same period last year.

MOTOR AND MOTOR RELATED BUSINESS

This business segment continued to record a steady growth of 21.3% in turnover to HK$19,322 million, compared to HK$15,929 million for the same period last year despite the slower growth of the PRC motor market. However, the keen competition in the motor dealership business had squeezed the gross margins on new car sales in mainland China. Thus, the segment result from operations dropped by 17.9% to HK$761 million with the segment margin at 3.9% compared with 5.8% in the same period last year. Segment profit after taxation also decreased by 23.3% to HK$541 million.

Mainland China

- The overall motor market expanded by 2.9% to 9.6 million units.
  - The passenger car market increased by 7.1% to 7.6 million units.
  - The commercial vehicle market dropped by 10.4% to 2.0 million units.
- DCH outperformed the market with a 13.9% increase in unit sales. A total of 41,155 units were sold.
  - Passenger car sales were up by 15.3% to 33,352 units.
  - Commercial vehicle sales grew by 8.6% to 7,803 units.

Distributorship

- *Bentley* achieved a 57.5% unit sales increase to 981 units.
- *Isuzu* maintained a sales growth of 24.8% to 4,384 units.

Dealership

- The number of 4S shops increased to 66 across 23 cities:
  - *A Ferrari* and *Maserati* 4S shop was opened in Xiamen.
- New car sales revenue of our 4S shops rose 16.9% while after-sales service revenue increased by 33.4%, representing 9.2% of the total dealership revenue.

- The Group maintained satisfactory growth in its same store performance:

  – Same store unit sales grew by 3.5%.

  – Same store after-sales service unit rose 9.3%.

  – Same store after-sales service revenue leaped 23.4%.

- 19 greenfield 4S projects are in progress. 11 of which will commence business by the end of 2012, including *Bentley*, *Chevrolet*, *FAW Audi*, *FAW Toyota*, *Lexus* and *SGM Buick*. Together with one 4S shop opened in the period under review, a total of 12 new 4S shops will be added to our dealership network by the end of 2012.

Motor Related Business

- To continue the independent service outlet pilot programme, the Group aims to expand its number of outlets to seven in Guangdong province by the end of 2012.

- The motor leasing business will expand to cover 13 cities in the second half of 2012.

- Sales of lubrication oil products from our JV lubrication oil blending plant in Xinhui is progressing well since production commencement.

Hong Kong and Macao

- The unit sales of the overall Hong Kong motor market rose 5.0% to 20,982 units.

- DCH sold 4,806 units of vehicles in Hong Kong and Macao, a decline of 7.2%.

- Our market share in Hong Kong stood at 18.8% in the first half of 2012.

- As more new car models are scheduled to launch in the second half of 2012, our sales volume is expected to improve.

- *Bentley* and *Nissan* maintained strong sales momentum in the first half of 2012, as sales volume rose by 51.4% and 11.4% respectively.

- DCH captured more than half of the truck and bus sales in Hong Kong.

- A new luxury car brand – *Infiniti* was soft launched in May. The showroom will commence business in the second half of 2012.

- Appointed as distributor of *SINOTRUK* truck.

- The Group was one of the pioneers in introducing electric vehicles to the Hong Kong market, with the launch of *Nissan LEAF* since 2011. The first electric bus will be delivered in August.

- We target to add two more *MotorMech* outlets, bringing the total to six in the territory in 2012.

Other Markets

- In Taiwan, a number of new facilities for *Audi* will commence operation in the coming months to enhance our competitiveness, including a new Taipei showroom and a 'body and paint' shop.

- As the distributor of *Isuzu* vehicles in Taiwan, we started selling these vehicles in May and a showroom and a service centre were opened in Taipei. The showrooms and service centres in Taichung and Kaohsiung will be in operation in the third quarter of 2012.

- In Singapore, subject to the reduced number of Certificate of Entitlement for new vehicles by the Singapore government, unit sales of the Group dropped by 10.1%. Yet, our market share remained stable.

FOOD AND CONSUMER PRODUCTS BUSINESS

The segment turnover from the Food and Consumer Products Business recorded a 10.4% rise to HK$4,074 million compared to HK$3,691 million in the same period last year, mainly driven by the FMCG, electrical appliances and food processing businesses. Segment results from operations grew by 25.0% to HK$85 million with segment margin improved to 2.2% and 4.2% in the PRC and Hong Kong markets respectively.

Mainland China

Food Business

- Turnover of FMCG in the PRC recorded a robust growth of 17.8% to reach HK$1,105 million, thanks to the strong sales performance of popular brands such as *Pocari Sweat*, *Country Goodness*, *Wyeth*, *Anlene / Anmum*, *Welch's*, etc.

- New international brands were added to enrich our product portfolio such as *Barilla* (pasta) and *Kirin Afternoon Tea* (tea drinks).

- We further broadened our distribution network in mainland China to cover more second- and third-tier cities.

- The profit margin in food commodity distribution has been affected by the retreat of commodity prices since the beginning of this year as a result of the weakening worldwide economy. Nonetheless, the product portfolio has been further enlarged with meat and seafood products aimed at improving margins.

- The *Pocari Sweat* Phase-2 manufacturing plant started trial production in April.

- The JV factory with CJ CheilJedang Corporation has started trial production of frozen dumplings in June.

Consumer Products Business

- Sales of electrical appliances in the PRC recorded an encouraging growth of 34.8%, driven by the popularity of trendy headphones and other audio visual products.

- 26 *DCH AV* outlets have been established in key cities such as Shanghai, Nanjing, Chengdu, Suzhou, Tianjin and Kunming, to promote DCH's imported audio-visual products and trendy headphones.

- We target to operate 60 *DCH AV* shops by the end of 2012.

Hong Kong and Macao

Food Business

- The revenue of FMCG in Hong Kong and Macao achieved a growth of 14.8%, attributable to the strong sales in retail channels and the contribution from the coffee and tea company and food processing company acquired last year.

- The JV with BRF registered satisfactory progress with the commencement of the distribution of *Sadia* branded frozen meat from April.

- The food processing company acquired last year doubled our food processing revenue against the same period in 2011. Moreover, it brought synergies to the existing Food Business in terms of production know-how, complementary new products and customer base as well as product sourcing.

- The development of house brands for the retail market has been progressing as planned.

- In Hong Kong and Macao, despite the decrease in worldwide commodity prices and keen market competition, food commodities have recorded a revenue increase of 13.1% attributable to the sales volume growth within various distribution channels.

- The *DCH Food Mart* recorded same store sales growth of 3.8%:

  – Net profit margin was improved through enlarging the proportion of chilled food products and effective cost control.

  – Target to open five new outlets in the second half of this year, adding up to a total of 90 outlets.

Consumer Products Business

- The new *Electrolux* showroom was opened in Wanchai to showcase the built-in and other household appliances to the public and enhance its brand image.

- Market share of our washing machines increased as the year-on-year sales volume expanded by 20%, greatly outperforming the overall Hong Kong market growth of 7%.

Other Markets

- We continue to incur a loss in overseas markets as the poor economic situation in Europe has dampened our electrical appliances manufacturing business.

- Proactive measures were initiated to improve the situation, such as developing new products and markets with higher margins while tightening cost control.

BUSINESS REVIEW AND OUTLOOK

LOGISTICS BUSINESS

The segment turnover of the Logistics Business increased by 23.9% to HK$233 million. The segment result from operations was HK$5 million and the segment margin declined to 2.1% compared to 3.7% in the same period in 2011. Our nationwide logistics network, spanning Shanghai, Xinhui, Xiamen, Guangzhou, Shenzhen, Hong Kong and Macao, creates synergies with the Group's Total Food Supply Chain strategy, driving down costs, ensuring food safety while bringing value-added services to the Group's business partners and our third-party customers.

Mainland China

- Segment turnover in mainland China reached HK$62 million, compared with HK$33 million in the first half of 2011. The revenue surged 87.9% year-on-year due to increased cross-border importation, warehousing and repacking business in Xinhui, and the incremental income generated from the Shanghai cold storage facilities acquired last year.

- Multi-temperature modern logistics facilities commenced operation in Shanghai:

  - The cold chain facilities in Shanghai serve third party logistics customers such as General Mills and Yum! Brands, whilst synergising with our food distribution business.

  - An additional ambient warehouse commenced operations in April in Shanghai, equipped with a modern truck fleet, to serve our Food Business units.

  - We are preparing a repacking and processing centre to provide value-added services to product principals and internal business units in Shanghai, scheduled to commence operation in phases from next year.

  - By setting up the freight forwarding and customs clearance function and further expanding our temperature-controlled truck capacity, multi-temperature total supply chain management services will be substantially expanded.

- Our multi-temperature Xinhui logistics and processing hub, complemented by our Guangzhou and Shenzhen logistics facilities, provides a complete solution to customers in the entire Pearl River Delta whilst bolstering our support to product principals.

Hong Kong and Macao

- Segment turnover in Hong Kong and Macao increased by 10.3% to HK$171 million.

- Performance improved from the same period last year mainly because of the upward revisions on service contract rates upon renewal, the larger customer base and thus the enhanced occupancy rate.

- The accreditation of GDP certificate and the drug license granted enable us to provide sophisticated logistics services to the clientele in the pharmaceutical industry.

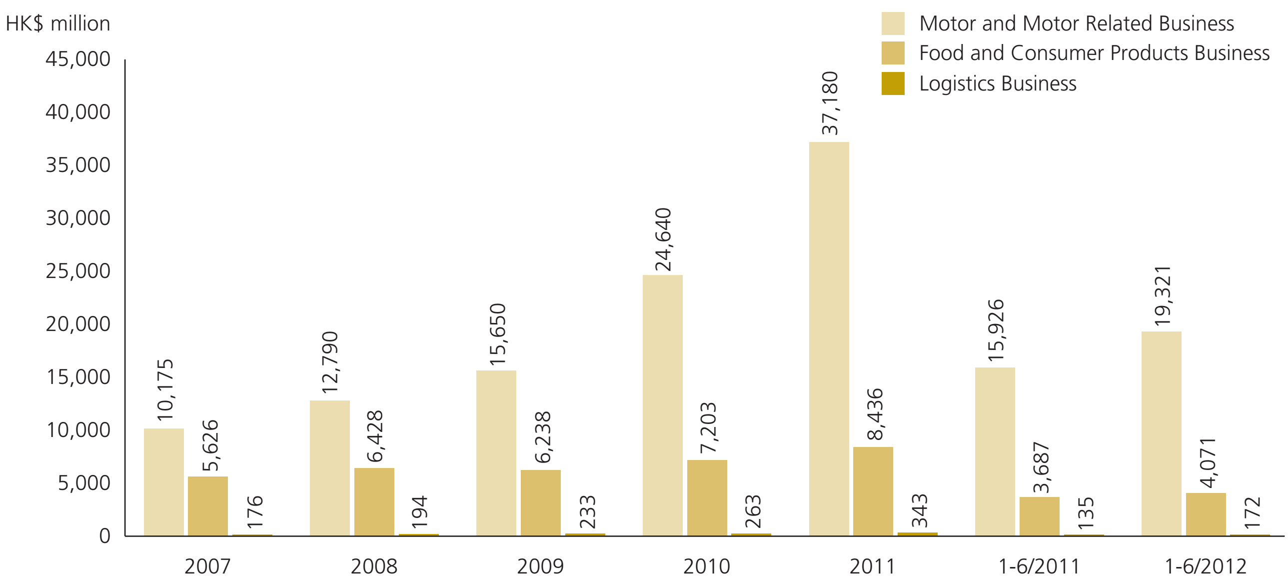
FINANCIAL REVIEW

INTRODUCTION

The Group's 2012 Interim Report includes the Chairman's letter 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 from External Customers



Turnover for the first six months of 2012 was HK$23,636 million, increased by 19.3% compared with HK$19,814 million for the same period of 2011, which was mainly attributable to the followings:

- **Motor and Motor Related Business**

  Turnover of Motor and Motor Related Business Segment increased by 21.3% mainly attributable to the growth of the PRC segment turnover by 25.0% with the continued expansion of our 4S shop network, and the increase in after-sales service for the PRC dealerships. Turnover of Hong Kong and Macao segment and other markets segment grew steadily by 5.1% and 5.0% respectively.

- **Food and Consumer Products Business**

  Turnover of Food and Consumer Products Business Segment increased by 10.4% mainly due to the 14.9% increase in segment turnover in the Hong Kong and Macao market driven by the expansion of food trading and retail, food processing, and strong growth in distribution of FMCG and electrical appliances businesses. The mainland China segment turnover grew by 7.4% only affected by the earlier Chinese New Year in mid January 2012 with part of the seasonal peak sales booked in the last quarter of 2011.

- **Logistics Business**

  Turnover of Logistics Business Segment grew by 23.9% with Hong Kong and Macao growing steadily by 10.3% and PRC grew by 87.9% attributable to the increased cross-border importation and cargo forwarding business in Xinhui logistics centre, and the incremental income generated from the Shanghai cold storage facilities acquired end of last year.

SEGMENT PROFIT AFTER TAXATION

Segment profit after taxation decreased by 17.9% for the first six months of 2012 compared with the same period of 2011 attributable to the following major reportable segments:

- **Motor and Motor Related Business**

  Segment profit after taxation dropped by 23.3% to HK$541 million. This was mainly attributable to the 26.1% decrease in segment profit to HK$399 million in mainland China market owing to the keen competition in the motor dealership business resulting in lower gross margin on new car sales. The segment profit in Hong Kong and Macao also dropped by 10.3% to HK$140 million, mainly attributable to unsatisfactory sales performance of passenger cars due to lack of new car models launched in the first half year.

- **Food and Consumer Products Business**

  Segment profit after taxation increased sharply by 44.4% to HK$65 million. Segment profit after taxation in Hong Kong and Macao increased by 28.8% to HK$76 million mainly attributable to increased contribution from food processing and electrical appliances businesses. Segment profit after taxation in mainland China increased by 32.0% to HK$33 million with the increase in contribution from our food processing associated companies in the PRC. For other markets, the electrical appliances manufacturing business for sales mainly to the European market continued to be challenging and incurring a loss. Excluding this, segment profit after taxation from other markets remained stable.

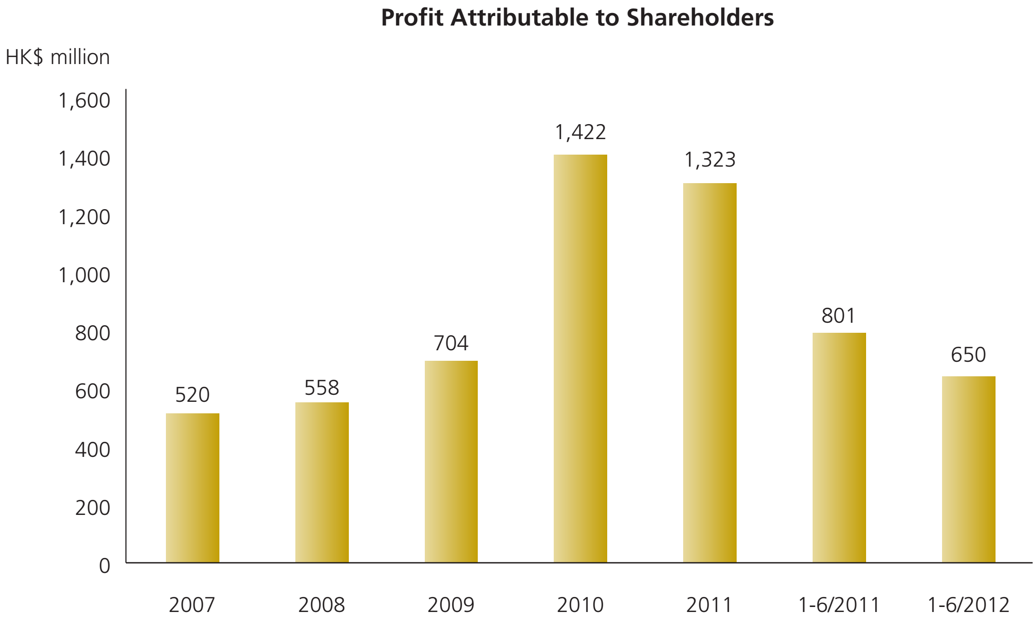
- **Logistics Business**

  Segment profit after taxation was HK$3 million only, as mainland China incurred a loss of HK$8 million attributable to the start up costs incurred for the new logistics facilities in Shanghai. Segment profit after taxation in Hong Kong and Macao increased by 22.2% to HK$11 million, with the increase in service rates upon contract renewal, and increase in enhanced occupancy rate for the logistics facilities.

Note: Segment profit after taxation represents profit after taxation from each reportable segment including share of profit after tax of associates and jointly controlled entities. Items not specifically attributable to individual segment are not allocated to the reportable segments.

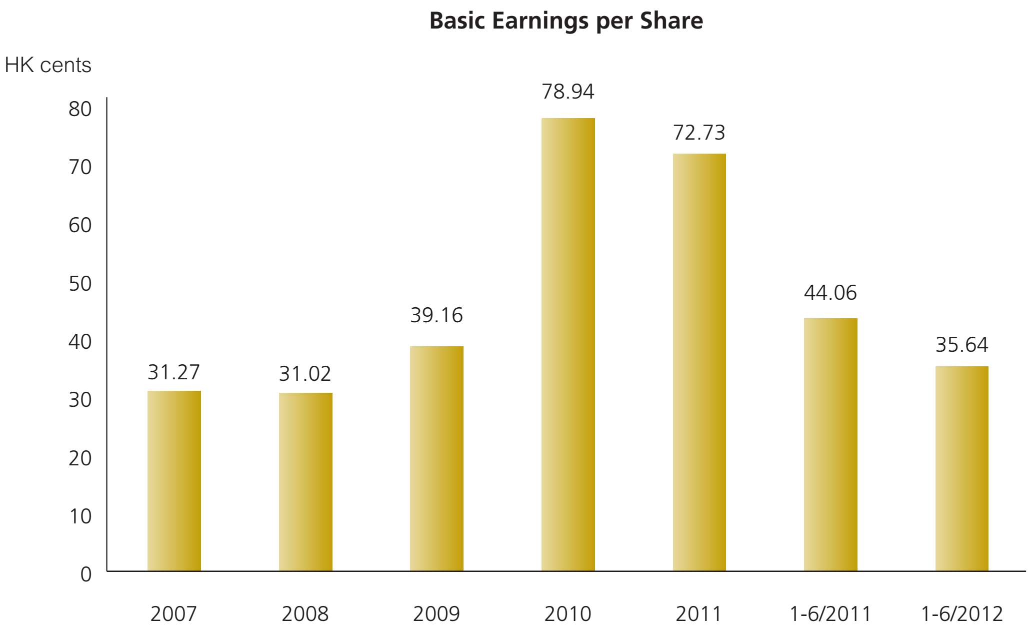
PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Profit attributable to shareholders of the Company for the first six months of 2012 was HK$650 million, a decrease of 18.9% as compared with HK$801 million with the increase in finance charge and net gain on remeasurement of all investment properties at HK$102 million compared with HK$212 million for the same period of 2011.



BASIC EARNINGS PER SHARE

Calculation of basic earnings per share for the six months ended 30 June 2012 was based on the profit attributable to shareholders of the Company and the weighted average of 1,824,048,440 ordinary shares (2011: 1,817,970,099 ordinary shares) in issue during the period. Basic earnings per share was 35.64 HK cents for the first half of 2012, a decrease of 19.1% as compared with 44.06 HK cents for the same period of 2011.



FINANCIAL REVIEW

DIVIDEND PER SHARE

An interim dividend of 11.78 HK cents (2011: 14.30 HK cents) per share was declared after the balance sheet date representing a dividend payout ratio of around 40% of the adjusted net profit for the first half year of 2012 of HK$538 million (2011: HK$652 million) which was arrived at after excluding net gain on remeasurement of investment properties and property held for sale, and other non-operating items.

FINANCE COSTS

The Group's finance costs increased by 106.3% to HK$163 million mainly due to increase of bank borrowings to finance the expanded operation and increase in working capital.

INCOME TAX

Income tax decreased by 18.7% to HK$235 million whilst the effective tax rate increased to 27.2% with the increased profit contribution from mainland China which carry a higher income tax rate. Included under deferred tax charge for the period was a recognition of deferred tax liabilities of HK$1 million (1-6/2011: HK$46 million) in respect of the tax payable upon the eventual distribution of the undistributed profits from subsidiaries in Japan.

NET ASSET VALUE PER SHARE

Calculation of net asset value per share was based on the net asset value of the Group of HK$8,800 million (31 December 2011: HK$8,475 million) and the 1,825,848,000 ordinary shares issued at 30 June 2012 (31 December 2011: 1,821,148,000 ordinary shares). Net asset value per share at 30 June 2012 was HK$4.82 (31 December 2011: HK$4.65 per share).

CAPITAL EXPENDITURE

During the first half year of 2012, the Group's total capital expenditure was HK$372 million (1-6/2011: HK$346 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
Logistics Business	– For construction of logistics facilities in mainland China and fixtures and fittings in Hong Kong
Other Business	– Properties
Corporate Office	– Equipment, fixtures and fittings

HK$ million	**1-6/2012**	1-6/2011	Change
Motor and Motor Related Business	**313**	242	71
Food and Consumer Products Business	**14**	22	(8)
Logistics Business	**27**	49	(22)
Other Business	**9**	29	(20)
Corporate Office	**9**	4	5
Total	**372**	346	26

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 head office. Financing activities outside Hong Kong are reviewed and approved by head office before execution.

Foreign Currency Exposure

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

The Group enters into foreign currency forward contracts primarily for hedging its sales and purchases that are denominated in currencies other than the functional currency of the operations to which they related. At 30 June 2012, the Group recognised foreign currency forward contracts with a fair value of HK$9 million liabilities (31 December 2011: HK$61 million liabilities) as derivative financial instruments.

Interest Rate Exposure

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

In April 2012, the Group had entered into a number of interest rate swaps with a total notional contract amount of HK$200 million to reduce the impact of interest rate fluctuation on its unsecured bank borrowings. These interest rate swaps will be expired in November 2014.

At 30 June 2012, together with the interest rate swaps entered in 2010 and 2011, the Group had total outstanding interest rate swaps with a total notional contract amount of HK$675 million. At 30 June 2012, the Group recognised interest rate swaps with a fair value of HK$3 million liabilities (31 December 2011: HK$3 million liabilities) as derivative financial instruments.

Employment of Derivative Financial Instruments

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

CASH FLOW

Summary of Consolidated Cash Flow Statement

HK$ million	1-6/2012	1-6/2011	Change
Operating profit before changes in working capital	**1,135**	1,161	(26)
Increase in working capital	**(2,212)**	(20)	(2,192)
Cash (used in) / generated from operations	**(1,077)**	1,141	(2,218)
Income tax paid	**(308)**	(187)	(121)
Net cash (used in) / generated from operating activities	**(1,385)**	954	(2,339)
Net cash used in investing activities	**(383)**	(539)	156
Net cash generated from / (used in) financing activities	**1,116**	(73)	1,189
Net (decrease) / increase in cash and cash equivalents	**(652)**	342	(994)

Operating profit before changes in working capital

Profit before taxation was HK$864 million for the six months ended 30 June 2012 (1-6/2011: HK$1,119 million). After adding back the non-cash items like depreciation and amortisation and impairment losses and excluding the exceptional items like the net gain on remeasurement of investment properties and net fair value gain on derivative financial instruments, operating profit before changes in working capital was HK$1,135 million (1-6/2011: HK$1,161 million).

Increase in working capital

For the six months ended 30 June 2012, working capital increased by HK$2,212 million which included increase in inventories of HK$2,300 million mainly due to the increase in vehicle stock in the PRC and decrease in trade and other payables of HK$547 million, partly offset by decrease in trade and other receivables of HK$635 million.

For the same period in 2011, working capital increased by HK$20 million only with the increase in inventories of HK$903 million, partly offset by decrease in trade and other receivables of HK$382 million and increase in trade and other payables of HK$501 million.

Net cash (used in) / generated from operating activities

Cash used in operations, after taking into account the increase in working capital, was HK$1,077 million for the six months ended 30 June 2012 (1-6/2011: cash generated from operations HK$1,141 million). Netting off the tax paid of HK$308 million (1-6/2011: HK$187 million), net cash used in operating activities for the six months ended 30 June 2012 was HK$1,385 million (1-6/2011: net cash generated from operating activities HK$954 million).

Net cash used in investing activities

Payment for purchase of fixed assets and lease prepayments for the six months ended 30 June 2012 were HK$399 million (1-6/2011: HK$346 million) and net cash outflow for new investments during the period was HK$92 million (1-6/2011: HK$223 million). After netting off the net proceeds from disposal of fixed assets and a jointly controlled entity, and deposit received for pending disposal of an investment property held for sale of HK$108 million (1-6/2011: HK$30 million), net cash used in investing activities was HK$383 million (1-6/2011: HK$539 million).

Net cash generated from / (used in) financing activities

Net cash generated from financing activities was HK$1,116 million for the six months ended 30 June 2012 (1-6/2011: net cash used in financing activities of HK$73 million). This was mainly due to the net proceeds from new bank loans and other loans of HK$1,486 million (1-6/2011: HK$242 million), net advance from non-controlling interest of HK$5 million (1-6/2011: net advance to non-controlling interest HK$23 million), and proceeds from shares issued under share option schemes of HK$25 million (1-6/2011: HK$26 million), offset by interest paid of HK$163 million (1-6/2011: HK$79 million), dividends paid to shareholders of the Company of HK$232 million (1-6/2011: HK$232 million) and dividends paid to holders of non-controlling interests of HK$5 million (1-6/2011: HK$7 million).

GROUP DEBT AND LIQUIDITY

The financial position of the Group at 30 June 2012, as compared to 31 December 2011, is summarised as follows:

HK$ million	**30 June 2012**	31 December 2011	Change
Total debt	**7,253**	5,784	1,469
Cash and bank deposits	**2,033**	2,854	(821)
Net debt	**5,220**	2,930	2,290

The original denomination of the Group's borrowings as well as cash and bank deposit balances by currency at 30 June 2012 is summarised as follows:

HK$ million equivalent	HKD	RMB	JPY	USD	CAD	SGD	NTD	GBP	Others	**Total**
Total debt	2,880	3,731	239	10	7	61	91	234	–	**7,253**
Cash and bank deposits	101	1,626	228	26	2	10	12	–	28	**2,033**
Net debt / (cash)	2,779	2,105	11	(16)	5	51	79	234	(28)	**5,220**

Leverage

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

At 30 June 2012, the Group's net gearing ratio was 38.7%, compared to 27.0% at 31 December 2011.

HK$ million	**30 June 2012**	31 December 2011	Change
Net debt	**5,220**	2,930	2,290
Shareholders' funds	**8,277**	7,909	368
Total capital	**13,497**	10,839	2,658
Net gearing ratio	**38.7%**	27.0%	11.7%

Net debt increased in the first six months of 2012 mainly to finance the increase in working capital and increase of investments in mainland China.

The effective interest rate of the Group's borrowings at 30 June 2012 was 4.8% (31 December 2011: 4.8%).

Maturity Profile of Outstanding Debt

The Group manages its debt maturity profile actively based on its cash flow and refinancing ability upon debt maturity. At 30 June 2012, the borrowings were repayable as follows:

	HK$ million	% of total
Within 1 year or on demand	**4,834**	67%
After 1 year but within 2 years	**1,124**	15%
After 2 years but within 5 years	**1,295**	18%
Total	**7,253**	100%

Available Sources of Financing

In addition to cash and bank deposits of HK$2,033 million at 30 June 2012 (31 December 2011: HK$2,854 million), the Group had undrawn available loan facilities totalling HK$4,122 million (31 December 2011: HK$2,729 million), of which HK$590 million (31 December 2011: HK$200 million) was committed term loans and HK$3,532 million (31 December 2011: HK$2,529 million) was uncommitted money market lines. The Group also had available trade facilities amounting to HK$5,473 million (31 December 2011: HK$4,819 million). Borrowings by sources of financing at 30 June 2012 is summarised as follows:

HK$ million	**Total**	Utilised	Available
Committed facilities:			
Term loans and revolving loans	**3,315**	2,725	590
Uncommitted facilities:			
Money market lines	**7,444**	3,912	3,532
Trading facilities	**9,441**	3,968	5,473

This could be reconciled to the total debt as follows:

HK$ million	**30 June 2012**	31 December 2011	Change
Utilised term loans and revolving loans	**2,725**	2,225	500
Utilised money market lines	**3,912**	3,158	754
Discounted bills and trade loans	**611**	397	214
Others	**5**	4	1
Total	**7,253**	5,784	1,469

PLEDGED ASSETS

At 30 June 2012, the Group's assets of HK$1,678 million (31 December 2011: HK$1,609 million) were pledged in relation to financing of discounted bills in Japan, issuance of bank acceptance drafts in mainland China, and purchase of vehicle stock in Canada and mainland China.

CAPITAL COMMITMENTS

Please refer to note 18 to the condensed financial statements for details of capital commitments outstanding at 30 June 2012.

CONTINGENT LIABILITIES

The Company has issued guarantees to banks in respect of banking facilities granted to and utilised by certain subsidiaries. The Group did not have any material contingent liabilities at 30 June 2012.

LOAN COVENANTS

Major financial covenants for the committed banking facilities are as follows:

Shareholders' funds	> or = HK$2,500 million
Net debt	< Shareholders' funds
Current assets	> Current liabilities

At 30 June 2012, the Group had complied with all of the above financial covenants.

HUMAN RESOURCES

As at 30 June 2012, the Group had a total of 15,721 employees, with 3,610 in Hong Kong & Macao, 11,750 in mainland China and 361 in other locations, namely, Taiwan, Singapore, Japan and Canada.

Location	June 2012	December 2011	June 2011	June 2012 vs December 2011	June 2012 vs June 2011
Hong Kong & Macao	**3,610**	3,680	3,491	– 1.9%	+ 3.4%
Mainland China	**11,750**	11,457	10,465	+ 2.6%	+ 12.3%
Others	**361**	342	334	+ 5.6%	+ 8.1%
Total	**15,721**	15,479	14,290	+ 1.6%	+ 10.0%

The number of employees grew by 10.0% over June 2011 and by 1.6% over December 2011.

Development and retention of human resources continues to be a priority for the Group.

Training programmes, both in-house and external, are frequently organised to enhance the competence of the employees. The Group also organises exchange and experience sharing events between the Hong Kong and mainland China business units to enable them to share their best practices as well as strengthen their collaboration. To ensure the continuous supply of new talents, the Group organises various types of traineeship programmes, for example, management trainee, engineering trainee and apprenticeship programmes.

Competitive compensation and benefits are offered to attract, motivate and retain talents. The Group conducts regular reviews of these programmes to ensure their market competitiveness. Responding to the competitive labour situations, the Group also implements off-cycle reviews to selected functions and individuals to ensure our competitiveness with the market.

Employee wellness also contributes to employee engagement. The Group continues its efforts in organising different social, recreational and health activities for the employees and their family members to enrich their work and family lives.

CORPORATE SOCIAL RESPONSIBILITY

Being a socially responsible corporation, DCH believes that giving back to the society and prospering together lead to sustainable development of enterprises. Leveraging on our business strengths, we strive to serve the community through support that focuses on alleviating poverty, caring for underprivileged children and the elderly, and conserving the environment.

Besides supporting charitable causes, we foster a caring culture through proactively encouraging our staff across the company to volunteer. Following the success of the Sichuan Mobile Classroom last year, DCH sponsored the second van, which started serving Sichuan's remote villages in June, and a team of DCH staff volunteers from Hong Kong, Shenzhen, Shantou, Shanghai and Kunming to join the visit to local schools and families, bringing to the children educational resources and love from afar.

In the annual Oxfam Rice Charity Sale, besides being the sponsor of all Oxfam Rice, DCH organised staff volunteers to participate in the fundraiser and encouraged patrons to donate the rice packs that they bought to the Food Bank, thereby benefiting more people.

Over the years, we have organised various enriching activities for children from low-income families. Our volunteers also visit and celebrate important Chinese festivals with the elderly.

Apart from sponsoring environmental events, we also encourage employees to Reduce, Reuse, Recycle and Replace to minimise the environmental impact of our daily operations. In our daily business, we engage our customers to preserve the environment through green products such as Nissan's electric vehicle LEAF, and a line of energy-saving home appliances.

Going forward, we will continue to support our target social causes through sponsorship and voluntary work in order to build a caring society with the community.

CORPORATE GOVERNANCE

DCH is committed to maintaining high standards of corporate governance. The Board believes that good corporate governance practices are important to promote investor confidence and protect the interest of our shareholders. We attach importance to our staff, our code of conduct, and our corporate policies and standards, which together form the basis of our governance practices. We respect the laws, rules and regulations of each country and area in which we operate, we strive to ensure a healthy and safe working environment for our staff, which is our paramount concern. We endeavour to contribute to the sustainable development of DCH, with particular focus on our accountability to shareholders and stakeholders. Details of our corporate governance practices can be found on pages 34 to 47 of the Annual Report 2011 and DCH's website at www.dch.com.hk.

Save as disclosed below, DCH has applied the principles and complied with all code provisions of the Code on Corporate Governance Practices (which was effective until 31 March 2012) during the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code (which was effective from 1 April 2012) ("CG Code") during the period from 1 April 2012 to 30 June 2012 as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). In respect of code provision A.6.7 of the CG Code, Mr Yin Ke and Mr Fei Yiping, both non-executive directors, were not able to attend the annual general meeting of DCH held on 16 May 2012 ("AGM") due to other engagements and Mr Kwok Man Leung, a non-executive director, was unable to attend the AGM as he was ill.

The Audit Committee of the Board, consisting of all the three independent non-executive directors, has reviewed the Interim Report 2012 with the management and DCH's internal and external auditors and recommended its adoption by the Board.

The interim financial report for the six month period ended 30 June 2012 is unaudited, but has been reviewed by KPMG, 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, whose review report is included in the Interim Report 2012 on page 43.

DCH has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Specific enquiry having been made by DCH, all directors confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2012.

CONSOLIDATED INCOME STATEMENT

HK$ million	Note	Unaudited Six months ended 30 June **2012**	 2011
Turnover	2	**23,636**	19,814
Cost of sales		**(20,841)**	(17,324)
Gross profit		**2,795**	2,490
Other income		**279**	233
Selling and distribution expenses		**(1,280)**	(1,034)
Administrative expenses		**(839)**	(696)
Profit from operations		**955**	993
Net gain on remeasurement of			
– an investment property classified as asset held for sale pending completion of disposal	3(c)	**78**	81
– other investment properties	8	**24**	131
Impairment losses on property, plant and equipment	3(b)	**(20)**	(17)
Impairment losses on amounts due from jointly controlled entities	3(b)	**(20)**	–
Finance costs	3(a)	**(163)**	(79)
Share of profit after tax of associates		**4**	–
Share of profit after tax of jointly controlled entities		**6**	10
Profit before taxation	3	**864**	1,119
Income tax	4	**(235)**	(289)
Profit for the period		**629**	830
Attributable to:			
Shareholders of the Company		**650**	801
Non-controlling interests		**(21)**	29
		629	830
Basic earnings per share (HK cents)	6(a)	**35.64**	44.06
Diluted earnings per share (HK cents)	6(b)	**35.51**	43.87

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

HK$ million	Unaudited Six months ended 30 June 2012	 2011
Profit for the period	**629**	830
Exchange differences on translation of financial statements of entities outside Hong Kong:		
– subsidiaries	**(79)**	72
– associates and jointly controlled entities	**(5)**	6
Release of exchange reserve upon disposal of jointly controlled entities	**–**	(2)
Other comprehensive income for the period, net of tax	**(84)**	76
Total comprehensive income for the period	**545**	906
Attributable to:		
Shareholders of the Company	**573**	869
Non-controlling interests	**(28)**	37
	545	906

CONSOLIDATED BALANCE SHEET

HK$ million	Note	Unaudited 30 June 2012	Audited 31 December 2011
Non-current assets			
Fixed assets			
– Property, plant and equipment	7	**3,113**	3,070
– Investment properties	8	**560**	875
		3,673	3,945
Lease prepayments	9	**373**	382
Intangible assets	10	**683**	710
Goodwill		**346**	347
Interest in associates		**239**	228
Interest in jointly controlled entities		**243**	239
Available-for-sale investments		**8**	8
Deferred tax assets		**135**	103
		5,700	5,962
Current assets			
Inventories		**8,317**	6,056
Asset held for sale	11	**402**	–
Trade and other receivables	12	**5,467**	5,909
Current tax recoverable		**29**	41
Cash and bank deposits	13	**2,033**	2,854
		16,248	14,860
Current liabilities			
Borrowings	15	**4,834**	3,764
Trade and other payables	14	**5,481**	6,092
Current tax payable		**165**	201
		10,480	10,057
Net current assets		**5,768**	4,803
Total assets less current liabilities		**11,468**	10,765
Non-current liabilities			
Borrowings	15	**2,419**	2,020
Deferred tax liabilities		**249**	270
		2,668	2,290
Net assets		**8,800**	8,475
Capital and reserves			
Share capital	16	**274**	273
Reserves		**8,003**	7,636
Total equity attributable to shareholders of the Company		**8,277**	7,909
Non-controlling interests		**523**	566
Total equity		**8,800**	8,475

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

HK$ million	Share capital (Note 16)	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
	Unaudited For the six months ended 30 June 2012 Attributable to shareholders of the Company												
At 1 January 2012	273	1,132	284	143	64	1	23	851	2	5,136	7,909	566	8,475
Profit for the period	–	–	–	–	–	–	–	–	–	650	650	(21)	629
Other comprehensive income	–	–	–	–	–	–	–	(77)	–	–	(77)	(7)	(84)
Total comprehensive income for the period	–	–	–	–	–	–	–	(77)	–	650	573	(28)	545
Share-based payments (Note 3(b))	–	–	–	–	–	–	2	–	–	–	2	–	2
Exercise of share options	1	31	–	–	–	–	(7)	–	–	–	25	–	25
Disposal of a jointly controlled entity	–	–	(1)	–	–	–	–	–	–	1	–	–	–
Dividends (Note 5(b))	–	–	–	–	–	–	–	–	–	(232)	(232)	–	(232)
Dividends to holders of non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(15)	(15)
At 30 June 2012	274	1,163	283	143	64	1	18	774	2	5,555	8,277	523	8,800

Unaudited
For the six months ended 30 June 2011
Attributable to shareholders of the Company

HK$ million	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 2011	272	1,087	261	143	37	1	32	656	2	4,357	6,848	307	7,155
Profit for the period	–	–	–	–	–	–	–	–	–	801	801	29	830
Other comprehensive income	–	–	–	–	–	–	–	68	–	–	68	8	76
Total comprehensive income for the period	–	–	–	–	–	–	–	68	–	801	869	37	906
Acquisition of non-controlling interests	–	–	(1)	–	–	–	–	–	–	–	(1)	(3)	(4)
Capital injection from holders of non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	1	1
Non-controlling interests arising from acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	145	145
Partial disposal of interest in subsidiaries	–	–	(1)	–	–	–	–	–	–	–	(1)	5	4
Exercise of share options	1	32	–	–	–	–	(7)	–	–	–	26	–	26
Disposal of jointly controlled entities	–	–	–	–	(2)	–	–	–	–	2	–	–	–
Dividends (Note 5(b))	–	–	–	–	–	–	–	–	–	(232)	(232)	–	(232)
Dividends to holders of non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(55)	(55)
At 30 June 2011	273	1,119	259	143	35	1	25	724	2	4,928	7,509	437	7,946

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

HK$ million	Note	Unaudited Six months ended 30 June 2012	 2011
Operating profit before changes in working capital		**1,135**	1,161
Increase in inventories		**(2,300)**	(903)
Decrease in trade and other receivables		**635**	382
(Decrease) / increase in trade and other payables		**(547)**	501
Cash (used in) / generated from operations		**(1,077)**	1,141
Income tax paid		**(308)**	(187)
Net cash (used in) / generated from operating activities		**(1,385)**	954
Net cash used in investing activities		**(383)**	(539)
Net cash generated from / (used in) financing activities		**1,116**	(73)
Net (decrease) / increase in cash and cash equivalents		**(652)**	342
Cash and cash equivalents at 1 January		**2,375**	1,672
Effect of foreign exchange rates changes		**(25)**	21
Cash and cash equivalents at 30 June	13	**1,698**	2,035

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 ("HKICPA") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. They should be read in conjunction with the annual financial statements for the year ended 31 December 2011.

The accounting policies used in preparation of these condensed consolidated interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2011, except for the adoption of all relevant new and revised Hong Kong Financial Reporting Standards and HKASs, amendments and interpretations ("new and revised standards"), which are effective for the current accounting period.

Adoption of the new and revised standards does not result in a significant impact on the Group's results of operations and financial position for the current or comparative periods nor any significant change in the Group's accounting policies.

Up to the date of issue of these financial statements, the HKICPA has issued a number of new and revised standards which are not yet effective for the current accounting period. The Group has not early adopted them for the current accounting period and is in the process of making an assessment of the impact of the new and revised standards in the period of initial application.

2. SEGMENT REPORTING

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

HK$ million	Motor and Motor Related Business				Food and Consumer Products Business				Logistics Business					
Unaudited **Six months ended 30 June 2012**	**Hong Kong & Macao**	**Mainland China**	**Other Markets**	**Sub-total**	**Hong Kong & Macao**	**Mainland China**	**Other Markets**	**Sub-total**	**Hong Kong & Macao**	**Mainland China**	**Sub-total**	**Other Business**	**Inter-segment elimination**	**Total**
Turnover from external customers	2,342	16,207	772	19,321	2,163	1,516	392	4,071	117	55	172	72	–	23,636
Inter-segment turnover	1	–	–	1	3	–	–	3	54	7	61	30	(95)	–
Segment turnover	2,343	16,207	772	19,322	2,166	1,516	392	4,074	171	62	233	102	(95)	23,636
Segment result from operations	164	595	2	761	90	34	(39)	85	13	(8)	5	38	–	889
Share of profit / (loss) after tax of associates	–	(5)	–	(5)	–	9	–	9	–	–	–	–	–	4
Share of profit / (loss) after tax of jointly controlled entities	3	–	–	3	2	(1)	–	1	–	–	–	2	–	6
Segment profit / (loss) before taxation	167	590	2	759	92	42	(39)	95	13	(8)	5	40	–	899
Segment income tax	(27)	(191)	–	(218)	(16)	(9)	(5)	(30)	(2)	–	(2)	(3)	–	(253)
Segment profit / (loss) after taxation	140	399	2	541	76	33	(44)	65	11	(8)	3	37	–	646
Reconciliation:														
Net gain on remeasurement of														
– an investment property classified as asset held for sale pending completion of disposal (Note 3(c))														78
– other investment properties (Note 8)														24
Net loss on disposal of an investment property (Note 3(b))														(2)
Net loss on disposal of a jointly controlled entity (Note 3(b))														(4)
Amortisation of fair value adjustments on property, plant and equipment and intangible assets arising from business combinations														(26)
Impairment losses on property, plant and equipment (Note 3(b))														(20)
Impairment losses on amounts due from jointly controlled entities (Note 3(b))														(20)
Net fair value gain on derivative financial instruments														51
Share-based payments (Note 3(b))														(2)
Unallocated corporate expenses														(114)
Reconciliation items before taxation														(35)
Tax impact:														
Tax effect on the above reconciliation items														18
Reconciliation items net of taxation														(17)
Profit for the period														629

2. SEGMENT REPORTING (CONTINUED)

HK$ million	Motor and Motor Related Business				Food and Consumer Products Business				Logistics Business					
Unaudited Six months ended 30 June 2011	Hong Kong & Macao	Mainland China	Other Markets	Sub-total	Hong Kong & Macao	Mainland China	Other Markets	Sub-total	Hong Kong & Macao	Mainland China	Sub-total	Other Business	Inter-segment elimination	Total
Turnover from external customers	2,226	12,965	735	15,926	1,883	1,410	394	3,687	106	29	135	66	–	19,814
Inter-segment turnover	3	–	–	3	2	2	–	4	49	4	53	22	(82)	–
Segment turnover	2,229	12,965	735	15,929	1,885	1,412	394	3,691	155	33	188	88	(82)	19,814
Segment result from operations	183	731	13	927	73	30	(35)	68	10	(3)	7	32	–	1,034
Share of profit / (loss) after tax of associates	–	(2)	–	(2)	–	2	–	2	–	–	–	–	–	–
Share of profit after tax of jointly controlled entities	4	3	–	7	–	–	–	–	–	–	–	3	–	10
Segment profit / (loss) before taxation	187	732	13	932	73	32	(35)	70	10	(3)	7	35	–	1,044
Segment income tax	(31)	(192)	(4)	(227)	(14)	(7)	(4)	(25)	(1)	(1)	(2)	(3)	–	(257)
Segment profit / (loss) after taxation	156	540	9	705	59	25	(39)	45	9	(4)	5	32	–	787
Reconciliation:														
Net gain on remeasurement of														
– an investment property classified as asset held for sale pending completion of disposal														81
– other investment properties														131
Net loss on disposal of jointly controlled entities (Note 3(b))														(2)
Amortisation of fair value adjustments on property, plant and equipment and intangible assets arising from business combinations														(16)
Impairment losses on property, plant and equipment (Note 3(b))														(17)
Net fair value loss on derivative financial instruments														(6)
Unallocated corporate expenses														(96)
Reconciliation items before taxation														75
Tax impact:														
Recognition of deferred tax liabilities of undistributed profits (Note 4)														(46)
Tax effect on the above reconciliation items														14
Reconciliation items net of taxation														43
Profit for the period														830

3. PROFIT BEFORE TAXATION

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

	Unaudited Six months ended 30 June	
HK$ million	**2012**	2011
(a) Finance costs		
Interest on bank advances and other borrowings wholly repayable within five years	**163**	79
(b) Other items		
Amortisation:		
– lease prepayments	**5**	4
– intangible assets	**20**	12
Depreciation	**216**	161
Net write-down of inventories	**76**	5
Net impairment losses / (reversal of impairment losses) on:		
– property, plant and equipment	**20**	17
– trade and other receivables	**(8)**	8
– amounts due from jointly controlled entities	**20**	–
Net gain on disposal of property, plant and equipment	**(3)**	(5)
Net loss on disposal of jointly controlled entities	**4**	2
Net loss on disposal of an investment property	**2**	–
Interest income	**(15)**	(9)
Share-based payments (Note 17)	**2**	–

(c) During the period ended 30 June 2012, the Group entered into a sale and purchase agreement with an independent third party to dispose of an investment property situated in Hong Kong at a consideration of HK$405 million. It is contemplated that the disposal would be completed on or before 28 December 2012. A remeasurement gain of HK$78 million was recognised in the consolidated income statement for the six months ended 30 June 2012.

4. INCOME TAX

Hong Kong Profits Tax is calculated at 16.5% (2011: 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	**2012**	2011
Current income tax		
– Hong Kong Profits Tax	**47**	42
– Outside Hong Kong	**227**	181
	274	223
Deferred tax		
– Origination and reversal of temporary differences	**(51)**	6
– Recognition of deferred tax liabilities of undistributed profits (Note)	**1**	46
	(50)	52
Withholding tax	**11**	14
Total	**235**	289

Note:

In 2011, the directors had determined that the undistributed profits of the subsidiaries in Japan would be repatriated to Hong Kong in the foreseeable future. Accordingly, deferred tax liabilities had been recognised in respect of the tax payable upon the eventual distribution of the undistributed profits.

5. DIVIDENDS

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

	Unaudited Six months ended 30 June	
HK$ million	**2012**	2011
Interim dividend declared after the balance sheet date of 11.78 HK cents (2011: 14.30 HK cents) per share	**215**	260

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:

	Unaudited Six months ended 30 June	
HK$ million	**2012**	2011
Final dividend approved and paid of 12.74 HK cents (2011: 12.77 HK cents) per share	**232**	232

6. EARNINGS PER SHARE

(a) Basic earnings per share

The basic earnings per share for the six months ended 30 June 2012 is based on the profit attributable to shareholders of the Company of HK$650 million (2011: HK$801 million) and the weighted average number of 1,824,048,440 ordinary shares (2011: 1,817,970,099 ordinary shares) in issue during the period.

(b) Diluted earnings per share

The diluted earnings per share for the six months ended 30 June 2012 is based on the profit attributable to shareholders of the Company of HK$650 million (2011: HK$801 million) and the weighted average number of 1,830,448,447 ordinary shares (diluted) (2011: 1,825,874,975 ordinary shares (diluted)) after adjusting the effect of deemed issue of shares under the Company's share option schemes.

7. PROPERTY, PLANT AND EQUIPMENT

HK$ million	**Unaudited 30 June 2012**	Audited 31 December 2011
Opening net book value	**3,070**	2,115
Exchange adjustments	**(26)**	68
Additions	**372**	1,158
Acquisition of subsidiaries	**–**	174
Transfer to inventories	**(5)**	(5)
Transfer from investment properties (Note 8)	**–**	14
Disposals	**(62)**	(61)
Depreciation	**(216)**	(357)
Impairment losses (Note)	**(20)**	(36)
Closing net book value	**3,113**	3,070

Note:

During the period ended 30 June 2012, the recoverable amount of property, plant and equipment had been assessed. Based on the assessment, the carrying amounts of certain property, plant and equipment were written down by HK$20 million by reference to their value in use (year ended 31 December 2011: HK$36 million).

8. INVESTMENT PROPERTIES

HK$ million	**Unaudited 30 June 2012**	Audited 31 December 2011
Opening net book value	**875**	704
Exchange adjustments	**(10)**	23
Transfer from asset held for sale (Note)	**–**	300
Transfer to asset held for sale (Note 11)	**(324)**	(112)
Transfer to property, plant and equipment (Note 7)	**–**	(14)
Disposals	**(5)**	(39)
Net gain on remeasurement	**24**	13
Closing net book value	**560**	875

Note:

During the year ended 31 December 2011, a property situated in Hong Kong with carrying amount of HK$300 million was transferred from asset held for sale to investment properties following the change of the Group's plan to dispose of the property.

9. LEASE PREPAYMENTS

HK$ million	**Unaudited 30 June 2012**	Audited 31 December 2011
Opening net book value	**382**	299
Exchange adjustments	**(4)**	13
Additions	**–**	74
Acquisition of subsidiaries	**–**	6
Disposals	**–**	(2)
Amortisation	**(5)**	(8)
Closing net book value	**373**	382

10. INTANGIBLE ASSETS

HK$ million	**Unaudited 30 June 2012**	Audited 31 December 2011
Opening net book value	**710**	270
Exchange adjustments	**(7)**	18
Acquisition of subsidiaries	**–**	432
Additions	**–**	18
Amortisation	**(20)**	(28)
Closing net book value	**683**	710

11. ASSET HELD FOR SALE

An investment property situated in Hong Kong with a carrying amount of HK$324 million at 31 December 2011 is classified as asset held for sale with a fair value of HK$402 million at 30 June 2012 following the Group's plan to dispose of the property.

12. TRADE AND OTHER RECEIVABLES

HK$ million	**Unaudited 30 June 2012**	Audited 31 December 2011
Trade debtors and bills receivable	**2,141**	2,855
Less: provision for impairment of doubtful debts	**(62)**	(65)
	2,079	2,790
Other receivables, deposits and prepayments	**2,960**	2,822
Amounts due from fellow subsidiaries	**1**	4
Amount due from the immediate holding company	**1**	–
Amounts due from associates	**–**	7
Amounts due from jointly controlled entities (Note)	**308**	167
Amounts due from holders of non-controlling interests	**6**	6
Loan to a holder of non-controlling interests	**109**	111
Derivative financial instruments	**3**	2
Total	**5,467**	5,909

Note:

During the period ended 30 June 2012, the recoverability of the amounts due from jointly controlled entities had been assessed. Based on the assessment, provision for impairment losses of HK$20 million was recognised during the period.

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

HK$ million	**Unaudited 30 June 2012**	Audited 31 December 2011
Within 3 months	**1,962**	2,697
More than 3 months but within 1 year	**111**	87
Over 1 year	**6**	6
Total	**2,079**	2,790

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

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

13. CASH AND CASH EQUIVALENTS

HK$ million	Unaudited 30 June 2012	Audited 31 December 2011
Cash and bank deposits	**2,033**	2,854
Less:		
Bank deposits with maturity over three months from date of deposit	**(2)**	(12)
Pledged deposits	**(301)**	(456)
Bank overdrafts	**(32)**	(11)
Cash and cash equivalents	**1,698**	2,375

14. TRADE AND OTHER PAYABLES

HK$ million	Unaudited 30 June 2012	Audited 31 December 2011
Trade creditors and bills payable	**2,282**	2,691
Other payables and accrued charges	**2,799**	3,019
Provision for product rectification	**45**	41
Amounts due to associates	**76**	25
Amounts due to jointly controlled entities	**9**	10
Amounts due to holders of non-controlling interests	**255**	240
Derivative financial instruments	**15**	66
Total	**5,481**	6,092

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 2012	Audited 31 December 2011
Current or within 1 month	**2,192**	2,608
More than 1 month but within 3 months	**49**	56
More than 3 months but within 6 months	**24**	14
Over 6 months	**17**	13
Total	**2,282**	2,691

15. BORROWINGS

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

HK$ million	**Unaudited 30 June 2012**	Audited 31 December 2011
Bank deposits	**301**	456
Trade and other receivables	**300**	397
Inventories	**1,038**	715
Property, plant and equipment	**39**	41
Total	**1,678**	1,609

16. SHARE CAPITAL

	Unaudited 30 June 2012		Audited 31 December 2011	
	Number of shares (in million)	**HK$ million**	Number of shares (in million)	HK$ million
Ordinary shares, issued and fully paid:				
At 1 January	**1,821**	**273**	1,815	272
Shares issued under share option schemes	**5**	**1**	6	1
At 30 June / 31 December	**1,826**	**274**	1,821	273

17. EQUITY COMPENSATION BENEFITS

On 8 June 2012, the Company has granted share options (the "Options") to certain employees, officers and directors to subscribe for a total of 24,450,000 ordinary shares of HK$0.15 each in the share capital of the Company under the Post-IPO Share Option Scheme adopted on 28 September 2007. The following are the details of the granted Options:

– Exercise price of the Options	HK$7.40 per share
– Average fair value of the Options	HK$2.30 per share
– Validity period of the vested Options	Exercisable in whole or in part within 5 years from the date of grant
– Vesting scale	25% of the Options granted will vest on the first anniversary of the date of grant
	Further 25% of the Options granted will vest on the second anniversary of the date of grant
	Remaining 50% of the Options granted will vest on the third anniversary of the date of grant

18. CAPITAL COMMITMENTS

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

HK$ million	**Unaudited 30 June 2012**	Audited 31 December 2011
Contracted for		
– Capital expenditure	**116**	87
– Others	**20**	30
Total	**136**	117
Authorised but not contracted for		
– Capital expenditure	**279**	256
– Others	**218**	190
Total	**497**	446

19. MATERIAL RELATED PARTY TRANSACTIONS

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

(a) Recurring transactions

HK$ million	Unaudited Six months ended 30 June 2012	2011
Sales to jointly controlled entities	**83**	69
Purchase from a jointly controlled entity	**35**	–
Purchase from an associate	**98**	–
Rental expenses to fellow subsidiaries	**51**	45

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

At 30 June 2012, the Group had bank balances with and bills payable to a fellow subsidiary of HK$15 million (31 December 2011: HK$63 million) and HK$26 million (31 December 2011: HK$87 million) respectively.

(c) Operating lease commitments with fellow subsidiaries

At the balance sheet date, the Group's total future minimum lease payments on properties under non-cancellable operating leases with fellow subsidiaries which are payable as follows:

HK$ million	**Unaudited 30 June 2012**	Audited 31 December 2011
Within 1 year	**156**	36
After 1 year but within 5 years	**268**	–
Total	**424**	36

(d) Transactions with state-owned enterprises

Other than those transactions as disclosed above, the Group has certain transactions with other state-owned enterprises including but not limited to sales and purchase of goods and services, use of utilities, bank deposits and borrowings.

These transactions are conducted in the ordinary course of the Group's businesses on terms comparable to those with independent third parties or other entities that are not state-owned.

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

20. ULTIMATE HOLDING COMPANY

At 30 June 2012, the directors considered the ultimate holding company of the Group to be CITIC Group Corporation, a wholly state-owned company established in the People's Republic of China.

REVIEW REPORT

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 25 to 42 which comprises the consolidated balance sheet of Dah Chong Hong Holdings Limited as of 30 June 2012 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 month 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 2012 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

15 August 2012

DIVIDEND AND CLOSURE OF REGISTER

The directors have declared an interim dividend of 11.78 HK cents per share for the year ending 31 December 2012 payable on Wednesday, 26 September 2012 to shareholders whose names appear on the Register of Members of DCH on Wednesday, 12 September 2012. The Register of Members of DCH will be closed from Monday, 10 September 2012 to Wednesday, 12 September 2012, both days inclusive, during which period no share transfer will be effected. In order to qualify for the interim dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged for registration with DCH's Share Registrar, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 7 September 2012.

SHARE OPTION SCHEMES

Pre-IPO Share Option Scheme

DCH adopted the Pre-IPO Share Option Scheme (the "Pre-IPO Scheme") on 28 September 2007. Under the Pre-IPO Scheme, DCH has granted 18,000,000 share options before the listing of DCH at the exercise price of HK$5.88 per share. No further share 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 DCH's shares on the Stock Exchange.

All share options granted and accepted under the Pre-IPO Scheme were fully vested on the date of grant but have a lock-up period of six months from the listing of DCH and are then exercisable in whole or in part within five years from the date of grant. During the six months ended 30 June 2012, none of the share options granted under the Pre-IPO Scheme were cancelled or lapsed, and 2,560,000 share options were exercised. A summary of the movements of the share options under the Pre-IPO Scheme during the six months ended 30 June 2012 is as follows:

(a) DCH directors

				Number of share options					
Name of director	Date of grant	Exercise period	Exercise price per share HK$	Balance as at 1.1.2012	Granted during the 6 months ended 30.6.2012	Lapsed / cancelled during the 6 months ended 30.6.2012	Exercised during the 6 months ended 30.6.2012	Balance as at 30.6.2012	Approximate percentage to the issued share capital
Hui Ying Bun	3.10.2007	17.4.2008 – 2.10.2012	5.880	500,000	–	–	500,000	–	–
Tsoi Tai Kwan, Arthur	3.10.2007	17.4.2008 – 2.10.2012	5.880	300,000	–	–	300,000	–	–
Glenn Robert Sturrock Smith	3.10.2007	17.4.2008 – 2.10.2012	5.880	300,000	–	–	300,000	–	–

(b) Employees of the Group working under continuous contracts (as defined in the Employment Ordinance), other than DCH directors

			Number of share options					
Date of grant	Exercise period	Exercise price per share HK$	Balance as at 1.1.2012	Granted during the 6 months ended 30.6.2012	Lapsed / cancelled during the 6 months ended 30.6.2012	Exercised during the 6 months ended 30.6.2012	Balance as at 30.6.2012	Approximate percentage to the issued share capital
3.10.2007	17.4.2008 – 2.10.2012	5.880	2,355,000	–	–	1,460,000	895,000	0.049%

The weighted average closing price of the shares of DCH immediately before the dates on which the share options were exercised was HK$9.16.

Post-IPO Share Option Scheme

DCH adopted the Post-IPO Share Option Scheme (the "Post-IPO Scheme") on 28 September 2007. Under the Post-IPO Scheme, the Board may offer to grant an option over DCH's shares to any person employed by DCH or any of its subsidiaries and any person who is an officer or director (whether executive or non-executive) of DCH or any of its subsidiaries as the Board may, in its absolute discretion, select. A consideration of HK$1.00 is payable by each grantee to DCH on acceptance of the offer of the option. The subscription price determined by the Board will not be less than the higher of (i) the closing price of DCH's shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant; (ii) the average closing price of DCH's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of DCH's shares. The maximum number of shares over which options may be granted under the Post-IPO Scheme and any other schemes of DCH shall not in aggregate exceed 10% of (i) the shares of DCH in issue immediately following the commencement of dealings in DCH's shares on the Stock Exchange; or (ii) the shares of DCH in issue from time to time, whichever is the lower.

Since the adoption of the Post-IPO Scheme, DCH has granted the following share options:

Date of grant	Number of share options	Exercise period	Exercise price per share HK$
7.7.2010	23,400,000	7.7.2010 – 6.7.2015	4.766
8.6.2012	24,450,000	8.6.2013 – 7.6.2017*	7.400

* Subject to a vesting scale

The share options granted on 7 July 2010 were accepted and fully vested on the date of grant and are then exercisable in whole or in part within five years from the date of grant. The closing price of the shares of DCH immediately before the grant on 7 July 2010 was HK$4.69 per share.

Of the share options granted on 8 June 2012, 24,250,000 were accepted and 200,000 were not as at the latest date of acceptance pursuant to the scheme rules (i.e. 5 July 2012). The closing price of the shares of DCH immediately before the grant on 8 June 2012 was HK$7.49 per share. The share options granted are subject to a vesting scale. 25% of the options granted will vest on the first anniversary of the date of grant. Further 25% will vest on the second anniversary of the date of grant and the remaining 50% of the share options granted will vest on the third anniversary of the date of grant. The vested options are exercisable in whole or in part within five years from the date of grant.

During the six months ended 30 June 2012, none of the share options under the Post-IPO Scheme were cancelled or lapsed, and 2,140,000 share options were exercised.

A summary of the movements of the share options under the Post-IPO Scheme during the six months ended 30 June 2012 is as follows:

(a) DCH directors

				Number of share options					
Name of director	Date of grant	Exercise period	Exercise price per share HK$	Balance as at 1.1.2012	Granted during the 6 months ended 30.6.2012	Lapsed / cancelled during the 6 months ended 30.6.2012	Exercised during the 6 months ended 30.6.2012	Balance as at 30.6.2012	Approximate percentage to the issued share capital
Hui Ying Bun	7.7.2010	7.7.2010 – 6.7.2015	4.766	1,800,000	–	–	–	1,800,000	0.099%
Yip Moon Tong	7.7.2010	7.7.2010 – 6.7.2015	4.766	1,450,000	–	–	–	1,450,000	
	8.6.2012	8.6.2013 – 7.6.2017	7.400	–	1,800,000	–	–	1,800,000	
								3,250,000	0.178%
Mak Kwing Tim (Note 1)	7.7.2010	7.7.2010 – 6.7.2015	4.766	1,100,000	–	–	800,000	– (Note 2)	–
Lau Sei Keung	8.6.2012	8.6.2013 – 7.6.2017	7.400	–	1,450,000	–	–	1,450,000	0.079%
Tsoi Tai Kwan, Arthur	7.7.2010	7.7.2010 – 6.7.2015	4.766	1,100,000	–	–	500,000	600,000	
	8.6.2012	8.6.2013 – 7.6.2017	7.400	–	1,100,000	–	–	1,100,000	
								1,700,000	0.093%
Glenn Robert Sturrock Smith	7.7.2010	7.7.2010 – 6.7.2015	4.766	1,100,000	–	–	–	1,100,000	
	8.6.2012	8.6.2013 – 7.6.2017	7.400	–	1,100,000	–	–	1,100,000	
								2,200,000	0.120%
Wai King Fai, Francis	7.7.2010	7.7.2010 – 6.7.2015	4.766	800,000	–	–	–	800,000	
	8.6.2012	8.6.2013 – 7.6.2017	7.400	–	900,000	–	–	900,000	
								1,700,000	0.093%

(b) Employees of the Group working under continuous contracts (as defined in the Employment Ordinance), other than DCH directors

			Number of share options					
Date of grant	Exercise period	Exercise price per share HK$	Balance as at 1.1.2012	Granted during the 6 months ended 30.6.2012	Lapsed / cancelled during the 6 months ended 30.6.2012	Exercised during the 6 months ended 30.6.2012	Balance as at 30.6.2012	Approximate percentage to the issued share capital
7.7.2010	7.7.2010 – 6.7.2015	4.766	4,930,000 (Note 2)	–	–	840,000 (Note 2)	4,090,000	0.224%
8.6.2012	8.6.2013 – 7.6.2017	7.400	–	14,400,000	–	–	14,400,000	0.789%

(c) Others

Date of grant	Exercise period	Exercise price per share HK$	Number of share options: Balance as at 1.1.2012	Granted during the 6 months ended 30.6.2012	Lapsed / cancelled during the 6 months ended 30.6.2012	Exercised during the 6 months ended 30.6.2012	Balance as at 30.6.2012	Approximate percentage to the issued share capital
7.7.2010	7.7.2010 – 6.7.2015	4.766	1,450,000 (Note 3)	–	–	–	1,450,000	0.079%

Notes:

1 Mr Mak Kwing Tim ("Mr Mak") retired as executive director of DCH with effect from 15 May 2012.

2 After the retirement of Mr Mak mentioned in Note 1 above, 300,000 share options were classified and added to the opening balance in (b) above. Thereafter, the said 300,000 share options were exercised by Mr Mak in the capacity of an employee.

3 These are in respect of share options granted to a director who has subsequently retired.

The weighted average closing price of the shares of DCH immediately before the dates on which the share options were exercised was HK$8.95.

The average fair value of the share options granted under the Post-IPO Scheme during the six month period ended 30 June 2012 measured at the date of grant of 8 June 2012 was HK$2.30 per share option based on the following assumptions using the Binomial Lattice Model:

– Share price at the grant date	HK$7.40
– Exercise price	HK$7.40
– Expected volatility	50% per annum
– Option life	5 years
– Expected dividend	4.0% per annum
– Average risk-free interest rate (based on Hong Kong Exchange Fund Notes)	0.36% per annum
– Early exercise assumption	Option holders will exercise when the share price is at least 160% of the exercise price
– Rate of leaving service during the exercise period	6.0% per annum

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

Taking into account the probability of leaving employment and early exercise behaviour, the expected life of the grant was estimated to be about 4.1 years.

The total expense recognised in DCH's income statement for the period ended 30 June 2012 in respect of the grant of the aforesaid 24,250,000 share options for the shares of DCH is approximately HK$1.6 million.

All the share options forfeited before expiry will be treated as lapsed share options which will not be added back to the number of shares available to be issued under the Post-IPO Scheme.

DIRECTORS' INTERESTS IN SECURITIES

The interests of the directors in shares of DCH or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as at 30 June 2012 as recorded in the register required to be kept under section 352 of the SFO were as follows:

1. Shares in DCH

Name of director	Number of shares Personal interests unless otherwise stated	Approximate percentage to the issued share capital
Hui Ying Bun	2,276,000	0.125%
Yip Moon Tong	1,300,000 (Note)	0.071%
Lau Sei Keung	1,000,000	0.055%
Tsoi Tai Kwan, Arthur	530,000	0.029%
Glenn Robert Sturrock Smith	550,000	0.030%
Wai King Fai, Francis	100,000	0.005%

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

2. Shares in Associated Corporations

(a) CITIC Pacific Limited

Name of director	Number of shares Personal interests	Approximate percentage to the issued share capital
Hui Ying Bun	837,000	0.02293%
Lau Sei Keung	1,000	0.00003%
Tsoi Tai Kwan, Arthur	18,000	0.00049%

(b) CITIC Telecom International Holdings Limited

Name of director	Number of shares Personal interests	Approximate percentage to the issued share capital
Kwok Man Leung	150,000	0.006%

(c) China CITIC Bank Corporation Limited

Name of director	Number of shares Personal interests	Approximate percentage to the issued share capital
Cheung Kin Piu, Valiant	1,094,400	0.007%

3. Share Options in DCH

The interests of the directors in the share options (being regarded as unlisted physically settled equity derivatives) of DCH are stated in detail in the preceding section of Share Option Schemes.

4. Share Options in Associated Corporation

CITIC Pacific Limited

Name of director	Date of grant	Exercise period	Exercise price per share HK$	Number of share options: Balance as at 1.1.2012	Granted during the 6 months ended 30.6.2012	Lapsed / cancelled during the 6 months ended 30.6.2012	Exercised during the 6 months ended 30.6.2012	Balance as at 30.6.2012	Approximate percentage to the issued share capital
Kwok Man Leung	16.10.2007	16.10.2007 – 15.10.2012	47.32	600,000	–	–	–	600,000	
	19.11.2009	19.11.2009 – 18.11.2014	22.00	500,000	–	–	–	500,000	
				1,100,000				1,100,000	0.030%
Fei Yiping	19.11.2009	19.11.2009 – 18.11.2014	22.00	300,000	–	–	–	300,000	0.008%

Note: The share options were granted by CITIC Pacific Limited, a controlling shareholder.

Save as disclosed above, as at 30 June 2012, none of the directors of DCH had nor were they taken to or deemed to have, under Part XV of the SFO, any interests or short positions in the shares, underlying shares or debentures of DCH or its associated corporations or any interests which were required to be entered into the register kept by DCH pursuant to section 352 of the SFO or any interests which were required to be notified to DCH and the Stock Exchange pursuant to the Model Code contained in Appendix 10 of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2012, the interests of the substantial shareholders, other than the directors of DCH or their respective associate(s), in the shares of DCH as recorded in the register of interests in shares and short positions required to be kept under section 336 of the SFO were as follows:

Name	Number of shares of DCH	Approximate percentage to the issued share capital
CITIC Group Corporation	1,027,307,000 (L)	56.26% (L)
CITIC Limited	1,027,307,000 (L)	56.26% (L)
CITIC Pacific Limited	1,018,800,000 (L)	55.80% (L)
Davenmore Limited	1,018,800,000 (L)	55.80% (L)
Colton Pacific Limited	800,922,200 (L)	43.87% (L)
Chadacre Developments Limited	245,102,000 (L)	13.42% (L)
Ascari Holdings Ltd.	217,877,800 (L)	11.93% (L)
Cornaldi Enterprises Limited	95,317,400 (L)	5.22% (L)
JPMorgan Chase & Co.	93,821,678 (L)	5.14% (L)
	88,842,518 (P)	4.87% (P)
AllianceBernstein L.P.	110,049,000 (L)	6.03% (L)

Note: (L) – long position, (P) – lending pool

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

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

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

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

CITIC Limited was deemed to be interested in 1,027,307,000 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 8,507,000 shares.

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

SHARE CAPITAL

DCH has not redeemed any of its shares during the six months ended 30 June 2012.

Neither DCH nor any of its subsidiaries has purchased or sold any of DCH's shares during the six months ended 30 June 2012.

UPDATE ON DIRECTORS' INFORMATION

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

Mr Fei Yiping, a non-executive Director of DCH, has resigned as a director of CITIC Guoan Co., Ltd. with effect from 27 June 2012.

DEFINITION OF TERMS

TERMS

Total debt	Short term and long term loans, plus bank overdrafts
Net debt	Total debt less cash and bank deposits
Total capital	Shareholders' funds plus net debt
Capital employed	Shareholders' funds plus total debt
Segment turnover	Segment turnover from external customers plus inter-segment turnover

RATIOS

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

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

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

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

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

CORPORATE INFORMATION

Headquarters and Registered Office

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

Website

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

Stock Codes

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

Share Registrar

Shareholders should contact our Share Registrar on matters such as transfer of shares, change of name or address, or loss of share certificates:
Tricor Investor Services Limited
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:	10 September 2012 to 12 September 2012
Interim Dividend payable:	26 September 2012

Interim Report 2012

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

Shareholders may choose to rely on the Interim Report posted on the Group's website and change their preference by writing to the Company's Share Registrar. Shareholders having difficulty in gaining access to the document will promptly be sent printed copies free of charge upon request to the Company's Share Registrar.

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

大 昌 行 集 團 有 限 公 司
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