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

Stock Code: 01828

Vitality and Professionalism

Our China Momentum

INTERIM REPORT **2013**

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Business Profile

Dah Chong Hong Holdings Limited ("DCH" or "the Group") is a Hong Kong based conglomerate with diversified business portfolio in (a) Motor and Motor Related Business and (b) Food and Consumer Products Business. The Group has gained strong foothold in the consumer markets in the Greater China, Singapore and Japan. Mainland China has been and will continue to be 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 our shareholders.

Vitality • Professionalism
Our China Momentum

Our **Two Core** Businesses

Motor and
Motor Related Business

DCH is a prominent company in the automotive industry in the Greater China which operates a diversified portfolio of Motor and Motor Related Business, forming an integrated Motor Business platform. DCH is one of the leading vehicle distributors and dealers representing 22 renowned international brands in mainland China including *Bentley, FAW Audi, Honda, Isuzu, Lexus, Mercedes-Benz, Nissan, Qingling, SGM Buick* and *Toyota* and 12 brands in Hong Kong and Macao, covering *Audi, Bentley, Honda, Infiniti, Isuzu, MAN, Nissan* and other commercial vehicle brands. We also distribute *Isuzu* commercial vehicles in Singapore. Our successful business model has been replicated in Taiwan, where we are the distributor and importer of *Isuzu* vehicles and dealer for *Audi* passenger cars.

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

Food and **Consumer Products Business**

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 blending. We are the market leader in western delicatessen processing industry in Hong Kong. In midstream food trading, we distribute a variety of food commodities and represent hundreds of international fast moving consumer goods brands and have developed an extensive distribution network throughout Hong Kong and mainland China. In retailing, we operate 85 *DCH Food Mart* and *DCH Food Mart Deluxe* outlets in Hong Kong.

Logistics arm plays an important role to support our Total Food Supply Chain development. Throughout years, we have developed nation-wide distribution capabilities in mainland China and a seamless modern cold-chain logistics network extended from Hong Kong, Macao, Xinhui, Shenzhen, Guangzhou, Xiamen to Shanghai. These established modern logistics facilities provide strong support to the Group's Food Business.

We are dedicated to distribute internationally-renowned home appliances and high-end audio-visual products in the PRC and Hong Kong. 51 *DCH AV Shops* and *DCH Digi Shops* have been set up in Hong Kong and mainland China to penetrate to retail channels.

Financial Highlights

HK$ million	Six months ended 30 June 2013	2012
Turnover	**18,935**	23,636
Profit from operations	**637**	955
Profit attributable to shareholders	**401**	650
Segment profit after taxation	**543**	646
Motor and Motor Related Business	**428**	541
Food and Consumer Products Business	**85**	68
Other Business	**30**	37

HK$ million	30 June 2013	31 December 2012
Total debt	**6,008**	6,409
Cash and bank deposits	**2,465**	3,225
Net debt	**3,543**	3,184
Shareholders' funds	**8,734**	8,511
Total capital	**12,277**	11,695
Capital employed	**14,742**	14,920
Net gearing ratio	**28.9%**	27.2%

HK cents	Six months ended 30 June 2013	2012
Basic earnings per share	**21.91**	35.64
Diluted earnings per share	**21.86**	35.51
Interim dividend per share	**8.68**	11.78

Chairman's Letter to Shareholders

In the first half of 2013, owing to the discontinuation of the *Bentley* distributorship and temporary setback in sales of imported commercial vehicles in the PRC, turnover of the Group for the six months ended 30 June 2013 dropped by 19.9% to HK$18,935 million. Together with the slow recovery of gross margins in the car dealership business, profit from operations dropped by 33.3% to HK$637 million. Profit attributable to shareholders decreased by 38.3% to HK$401 million mainly due to a lower net gain on remeasurement of investment properties and properties held for sale. With basic earnings per share of 21.91 HK cents, the board of directors of DCH has declared an interim dividend for the first half of 2013 of 8.68 HK cents per share compared with 11.78 HK cents per share in 2012.

MOTOR AND MOTOR RELATED BUSINESS

In mainland China, the business in the first six months of 2013 remained tough as the market has not recovered from the low profitability on new car sales carried over from last year. Net profit margin continued to be low. However, despite this difficult period stretching from the end of 2011 in the motor dealership business in the PRC, the Group considers that the auto market in mainland China will grow steadily. It would become mature and a new profit model will evolve where the after-market contribution and the Motor Related Business would become more important to the overall profitability of the business. In this respect, the Group is well prepared to advance towards the new horizon as it has taken the initiative in developing the Motor Related Business for some years.

Strategic Partnership Fostering A Sustainable Business Model

The expansion of our 4S shop network would continue. With the car principals seeking quality dealership groups to enhance their competitiveness in the market, DCH, with its professionalism and experience in the motor industry and its solid financial background, has formed strategic partnerships with some of the major car manufacturers in our brand portfolio. We shall cooperate to develop their dealership network to meet the ever-growing demand of customers in mainland China. We shall continue to focus on the coastal regions with gradual infiltration into the central China areas. During the period, we saw consolidation in the market and have taken the opportunities to acquire 4S shops. This consolidation will continue and the Group would seek to expand its network through mergers and acquisitions at good value. In addition, we anticipate a boom in the used car market and we shall speed up the development of this business in our network to complement our new car sales.

Emerging Revenue Stream Of After-Market Business

Enhancement of the profitability of after-sales business is a major focus of all dealerships. With the wealth of experience of the Group in the marketing and management of car repair and maintenance, continuous improvement to the efficiency and labour utilisation would be realised. Coupled with the parts and accessories business, the lubrication oil production and the expansion of the independent service outlets, we are set to capture the full value chain of the after-market business.

Tapping Into Auto Finance Market

Auto finance in mainland China has become popular and the number of new car sales using auto finance is growing very rapidly. The Group has obtained the license to conduct finance leasing business and has commenced this business in Beijing and Shenzhen with the plan to roll out to other regions of our network. Income from car insurance also contributes to the value chain in the Motor Business. The Group has established an insurance agency company in Guangdong which would later be expanded to cover nationally so as to secure and increase our income associated with car insurance.

Capturing The Flourishing Motor Related Segment

Furthermore, due to the concerns of traffic congestion in major cities, it is likely that more cities would implement some kind of measures to limit the growth of the car population. Car rentals would offer an alternative to purchases in these cities with flexibility. The increased number of business commuters in mainland China would also create a high demand for car rentals. DCH will expand its car rental business to more regions so as to tap the growing demand.

Overall, DCH has confidence in the Motor and Motor Related Business in the PRC and would continue to invest in the expansion of our dealership network through strategic partnership with major car manufacturers. The change of the profit model in the industry would benefit DCH as it is well positioned to enhance the after-market business and to expand the Motor Related Business with its professionalism in the industry and experience internationally and locally.

Remarkable Performance In The Hong Kong Market

Our Hong Kong Motor Business has been delivering a very stable income from the comprehensive Motor Business portfolio. Though it is a mature market, we are pleased to report that the Group has achieved a remarkable performance both in sales and profitability during the reporting period as a result of our successful strategy in promoting environment-friendly products meeting the requirements of HKSAR Government policy and the favourable exchange rates in the first half of 2013.

Riding On The Environment-Friendly Trend In The Motor Industry

We are committed to improve the air quality in Hong Kong by introducing more environment-friendly products in the coming years, including new vehicle models from our principals meeting the highest emissions standard, the electric bus, the catalytic converter for LPG taxi, the retrofitting of selective catalytic reduction device to franchise buses to reduce the emission of harmful gases, etc. The proposal of the HKSAR Government of setting up a fund of over HK$10 billion to assist financially in the replacement of the aged diesel vehicles in Hong Kong would enlarge the demand in the motor industry both in products and service. In this respect, as the market leader in the truck and bus segment in Hong Kong, we are prepared to meet this challenge by setting up a 24,000 sq.m. DCH commercial vehicle center in the New Territories and seeking to introduce more new brands to meet the enlarged demand of different users.

Establishing The First Assembly Plant In Taiwan

With the establishment of the *Isuzu* distributorship in Taiwan last year, the Group has secured a foothold in the commercial vehicle market on the island. We have started our phase 2 development as *Isuzu* has recently approved DCH to set up a semi-knock down assembly factory in Taichung, the first of this kind in the Group, to produce *Isuzu* trucks and buses for stronger competitiveness in the Taiwan market. *Isuzu* would extend full support to the factory and this would create a new playing field for DCH in the Motor Business.

On 30 June 2013, we disposed of the *Richmond Acura* dealership in Vancouver, Canada, which is in line with our focus in the Greater China Region.

Our vision in the Motor and Motor Related Business remains to be one of the key market players capitalising on the full Motor Business value chain in the Greater China Region.

FOOD AND CONSUMER PRODUCTS BUSINESS

In mainland China, our Food Business in the first half of 2013 was impacted by the significantly reduced gift market over the Chinese New Year period. This unexpected market change has temporarily setback our growth in the Food Business in mainland China but we are still confident to achieve our set targets in the coming years. We shall continue our "Total Food Supply Chain" strategy with upstream and downstream expansion supporting the rapid development of our core midstream distribution business.

Regional Expansion Accelerated to Enlarge Sales Network

We have made good progress in the regional expansion programme in second-tier cities such as Shenyang, Kunming and Hainan and to launch direct sales operations with deeper market penetration and wider sales channels including the food service business which is expected to grow rapidly in view of the government urbanisation plan and the change of people's dining habits. The success of this geographic expansion will enhance our sales network to capture the opportunity of fast growing markets and our capability of representing more products / brands effectively in different regions and sales channels.

Enhancing Product Portfolio Aggressively

In product strategy, the dairy initiative has opened new opportunities and adding new brands for infant milk formula, liquid milk and cheese products. Similarly we will extend our presence in the beverage, snacks and health foods, these being amongst the fastest growing food categories. In addition, we expect the China food service market to perform strongly over the near and long term. DCH is strengthening this product portfolio to become an important player in this market including bakery ingredients, beverages, frozen meats, frozen seafood as well as daily cooking items. We shall develop the frozen meat business through the joint venture ("JV") with BRF S.A. including food processing and the distribution of poultry, pork and beef.

Logistics forms an important backbone in the Food Business development and we shall follow the footstep of the regional development to provide cost effective and quality support in major hubs with value-added services to our principals to tighten their partnerships with DCH.

Encouraging Growth in Hong Kong

In Hong Kong, the performance of the Food Business in the first six months of 2013 was quite encouraging as both fast moving consumer goods and commodity segments, including the turnover of the business conducted through our JV, were able to grow in line with our targets.

Enlarged Food Manufacturing Arms Facilitates Supply Chain Expansion

For upstream business, we have acquired the third food processing company specialising in western fine food in February 2013 which significantly strengthened our leading market position. We will continue to develop our food processing business and will actively look for opportunities to expand into other specialised food manufacturing areas. This, together with the existing upstream businesses like coffee and tea production, will form a solid foundation to expand into the China market.

Good Growth In Core Midstream Business

In the midstream, we see encouraging growth in the imported and renowned products in the first half of 2013. We consider the demand for high-end and quality food would remain strong and we will position ourselves as market leader in this segment to meet the strong demand.

Chairman's Letter to Shareholders

Food Retail Chain in Transformation

In the downstream retail business, we will revamp the existing retail network and add premium shops in line with our Food Business development. New concept stores and specialty chain stores will be added to the network offering premium specialty food products aiming to capture the high-end market segment.

House Brands Uplifting Profitability

Our house brands *Cheer* and *Del Leche* dairy and snack products were already introduced to Hong Kong and China markets to complement the agency distribution business. This initiative will leverage our well established distribution network and the customer base which will enhance our product portfolio and profitability.

Strong Sales Momentum Sustained DCH AV Shops Expansion

For Consumer Products Business, the sales momentum of the trendy mobile electronic audio products remained strong. In order to expand into downstream business, the Group has set up 51 *DCH AV Shops* and *DCH Digi Shops* retail outlets in Hong Kong and mainland China which will further tighten the sales channel control and drive the DCH brand value. We will continue the expansion of the retail network to strengthen our position as the leading premium audio and video equipment distributor in Hong Kong and mainland China.

FINANCIAL POSITION

Despite the tough market condition, our net gearing ratio remains healthy at 28.9%. Strong cashflow generated from operations well supports our capital expenditures, new investments and working capital requirements and enables us to maintain a stable dividend policy. We will continue to dispose of the investment properties in the second half of 2013 and reinvest the proceeds into our core business. The cash on hand together with the strong banking support enables DCH to seize any good business opportunities in the market.

CONCLUSION

We are optimistic and confident in the outlook of DCH's business. With our ample experience and solid business foundation established in the automobile and food and consumer products sectors in the Greater China market, we are able to turn challenges into opportunities and grow steadily in the coming years.

I would like to take this opportunity to thank our colleagues for their contributions to the Group. We will continue to devote our efforts to sustain the long term growth of DCH and to create value for our shareholders.

Hui Ying Bun
Chairman

Hong Kong, 14 August 2013

Business Review and Outlook

OPERATING RESULTS

For the first six months of 2013, turnover of the Group was HK$18,935 million, a drop of 19.9% against the same period last year mainly attributable to the discontinuation of the *Bentley* distributorship and the temporary setback in sales of imported commercial vehicles in the PRC. Profit from operations dropped by 33.3% to HK$637 million whereas profit attributable to shareholders decreased by 38.3% to HK$401 million. 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$397 million, a drop of 26.2% compared with the same period last year.

MOTOR AND MOTOR RELATED BUSINESS

- Segment turnover of Motor Business in the first half of 2013 decreased by 24.6% to HK$14,578 million.
- Segment result from operations decreased by 25.5% to HK$567 million.
- Segment margin remained stable at 3.9%.

Mainland China

- Segment turnover in the first half of 2013 decreased by 34.4% to HK$10,625 million.
- Segment result from operations decreased by 55.8% to HK$263 million.
- Segment margin decreased by 1.2-percentage-point to 2.5%.
- Overall motor market expanded by 12.3% to 10.8 million units.
    - The passenger car market increased by 13.8% to 8.7 million units.
    - The commercial vehicle market increased by 6.7% to 2.1 million units because of the advanced purchase before the State IV emission standards implementation.
- DCH sold around 36,800 units, a decline of 10.5%.
    - Passenger car sales maintained at similar level as last year at around 33,300 units, lower than the market growth, due to the slower growth of dealership network expansion.
    - Commercial vehicle sales declined by 54.8% to around 3,500 units mainly attributable to the drop in sales of imported trucks.

Business Review and Outlook

Distributorship

- *Isuzu* sales volume came to a standstill in the first half as OEM customers were digesting stocks carried from last year. Sales performance will gradually improve as more infrastructure projects are expected to roll out in the second half.

Dealership

- The number of 4S shops increased to 72.
  - Seven greenfield projects commenced business, including two *Chevrolet*, two *FAW Audi*, two *FAW Toyota* and a *Lexus*.
  - Acquired a *GAC Toyota* in Shaoxing and a *FAW Toyota* in Shenzhen.
  - Refined our dealership mix with six shops closed or converted into other business purposes, including *FAW Jilin*, *FAW Mazda*, *Qingling* and *Renault.*
- 16 4S greenfield projects are in progress.

Brands	**Locations**
Bentley	Fuzhou, Nanning
DF Honda	Heyuan
FAW Audi	Shenzhen
FAW Toyota	Dehong, Dongyang, Nanchang, Simao, Wuhan, Xishuangbanna
Lexus	Shenzhen (2), Yueqing
Mercedes-Benz	Chongqing, Shaoyang
SGM Buick	Chuxiong

- Overall dealership revenue decreased by 5.0%, of which new car unit sales was similar to last year and after-sales revenue grew by 14.2%. 11.3% of dealership revenue came from after-sales service.
- Same store new car unit sales remained stable with solid growth in after-sales service.
  - New car unit sales decreased by 1.1%.
  - After-sales service volume rose 2.0%.
  - After-sales service revenue leaped 16.6%.
- Strategic partnership with major car manufacturers in our brand portfolio will accelerate 4S shop network expansion.
- Aim to continuously improve the efficiency and productivity of after-sales service, coupled with actions on uplifting the customer retention rate, expect to further improve the profitability of our dealership business.
- Enhance and expand income source of 4S shops, including car insurance, car financing and used car trading.

Motor Related Business

- Independent service outlet business has established a solid business model in Dongguan and has integrated internally with parts and accessories business. We aim to expand the business to other regions.

- Obtained license to operate finance leasing and commenced operation in Beijing and Shenzhen. Scheduled to launch the same in other regions in the second half.

- PRC car rental business continued to grow with 33.4% expansion in fleet size in the first half.

- Good progress made in lubrication oil blending business, which production volume and sales were doubled in the first half. We also started to supply lubrication oil to a major car manufacturer group on OEM basis.

Hong Kong and Macao

- Segment turnover in the first half of 2013 increased by 23.9% to HK$2,904 million.

- Segment result from operations increased by 50.6% to HK$247 million.

- Segment margin increased by 1.5-percentage-point to 8.5%.

- Overall Hong Kong motor market expanded by 14.4% to around 24,000 units.

  – The passenger car market increased by 8.0% to around 17,900 units.

  – The commercial vehicle market increased by 38.3% to around 6,100 units.

- DCH achieved remarkable unit sales growth of 31.3% with a total of around 6,300 units sold.

  – Passenger car sales increased by 28.8% to around 4,600 units.

  – Commercial vehicle sales increased by 38.3% to around 1,700 units.

- DCH captured 22.0% of market share in the first half of 2013, 2.6-percentage-point up from 2012.

- Strong sales performance of the Group was attributable to the successful capture of demand created by environment-friendly vehicle policy of HKSAR Government. DCH maintained the leading role in Hong Kong truck and bus market, capturing 49.1% market share.

- *Infiniti* showroom was officially opened in April.

- *Nissan* LPG taxi was successfully launched in May.

- Added a new commercial vehicle brand, *DAF*, in the first half and the newly launched *Sinotruk* performed well.

- DCH will set up a new commercial vehicle center in New Territories of around 24,000 sq.m. to enhance our after-sales service.

- The first unit of *Great Dragon* was delivered in March which was the first electric bus in Hong Kong. We also introduced another electric bus *Wuzhoulong* into the market.

- The proposed diesel vehicles replacement subsidies programme of HKSAR Government of more than HK$10 billion will create demand for commercial vehicle and after-sales service.

Motor Related Business

- The Group has been awarded a tender for supplying catalytic converter for LPG taxis and light buses, and expects to commence delivery in the second half.

- Pilot programme of retrofitting the selective catalytic reduction device to franchise buses completed successfully, awaiting HKSAR Government tender for implementation.

Other Markets

- Segment turnover in the first half of 2013 increased by 35.9% to HK$1,049 million.

- Segment result from operations substantially increased to HK$57 million after taking into account the goodwill payment for the discontinuation of the *Richmond Acura* dealership in Vancouver, Canada.

- Segment margin was 5.4% including the above compensation.

- Taiwan

  – DCH *Audi* unit sales declined by 17.2% due to strong market competition. Sales performance is expected to improve following the opening of the third *Audi* 4S shop in New Taipei City in the third quarter.

  – *Isuzu* distributorship business successfully developed an extensive network covering the whole island, and expanded its market share.

  – Semi-knock down assembly plant in Taichung is scheduled to commence trial production in the fourth quarter. An important strategic move to enhance our competitiveness in the market.

- Singapore

  – As a result of delivery of government tender, the unit sales grew by 72.9%.

- Canada

  – Disposed of the *Richmond Acura* dealership in Vancouver, Canada on 30 June 2013.

FOOD AND CONSUMER PRODUCTS BUSINESS

- Segment turnover grew by 2.1% to HK$4,333 million.
- In addition, revenue of HK$1,694 million from frozen pork and poultry distribution business was booked separately under our joint venture ("JV") with BRF S.A. (2012 first half: HK$499 million).
- Segment result from operations increased by 22.2% to HK$110 million (2012 first half: HK$90 million).
- Segment margin improved by 0.4-percentage-point to 2.5%.

Mainland China

- Segment turnover increased by 2.3% to HK$1,608 million.
- Segment result from operations dropped by 23.1% to HK$20 million and the margin reduced by 0.5-percentage-point to 1.2% after taking into account the start up expenses of the new logistics facilities in mainland China.

Food Business

A. *FMCG*

- Turnover of fast moving consumer goods ("FMCG") in the PRC remained stable compared to last year.
- Confectionery: year-on-year ("y.o.y.") turnover dropped by 14.3% mainly due to reduced gift market over the Chinese New Year ("CNY").
- Dairy products: y.o.y. turnover fell by 19.2% mainly because a major supplier changed its distribution strategy in the retail channel. On the other hand, there were several new agencies added into our product portfolio including *Yili* (伊利, Yogurt, China), *Celia* (喜麗雅, Infant Milk Formula, France), *Lemnos* (利諾斯, Cheese, Australia), *Galbani* (戈巴尼, Cheese, Italy).
- Beverage: y.o.y. turnover grew by 10.5%.
- In addition to the above dairy agencies, other new agencies include *Ricola* (利口樂, throat lozenge candies, Swiss), *Hellema* (艾爾瑪, biscuit, Holland), *Fisher* (福喜樂, nuts, USA), and it is expected the sales would be reflected in the second half of 2013.

B. *Food Commodity*

- Overall performance on food commodity sales has improved significantly after taking into account of frozen meat business conducted through our JV.
- The business is expected to grow further in the second half of the year along with our geographic expansion, and extension of sales network to the food services customers.

C. *Food Manufacturing*

- After the commencement of *Pocari Sweat* Phase-2 manufacturing plant completed in 2012 (JV with Otsuka Pharmaceutical), it enables more production capacity to support the growing sales of *Pocari Sweat* in both Hong Kong and mainland China.
- The new frozen dumplings factory (JV with South Korea's CJ CheilJedang Corporation) commenced operation smoothly since September 2012 and now the products are being sold directly in mainland China's retail shops via our distribution network.

Business Review and Outlook

Hong Kong and Macao

- Segment turnover grew by 3.2% to HK$2,352 million.

- Segment result from operations increased by 16.5% to HK$120 million with the segment margin improved by 0.6-percentage-point to 5.1%.

Food Business

A. FMCG

- Sales of FMCG in Hong Kong recorded an increment contributed by the dairy and confectionery businesses.

- Beverage: revenue stayed in line with last year.

- Dairy products: with a growth of 20.9% as driven by cheese and creamer, as well as liquid milk under our house brand *Cheer*.

- Confectionery: achieved a growth of 35.9% mainly due to the strong sales momentum through the CNY programme and promotion activities.

B. Food Commodity

- As aforementioned, performance of food commodity sales has enhanced after taking into account of frozen meat business conducted through our JV.

C. Food Manufacturing

- Turnover increased by 57.5% with the immediate contribution from the newly acquired western delicatessen processing company in Hong Kong – Leo's Fine Food Company Limited – in February 2013. This acquisition significantly reinforced our leading market position and would create synergy to strengthen our food supply chain business.

D. Retail

- *DCH Food Mart* recorded a slight growth on sales in spite of the keen market competition. We would continue to expand our product portfolio by sourcing more premium food products to capture mid-to-high-end market segment.

- In the first half of 2013, we reached 85 retail outlets and target to further open seven new outlets in the second half.

Other markets

- Food businesses in Japan and Singapore remained stable.

House brand development

- House brand development is a strategic move for the Food Business to enhance our product portfolio and profitability through leveraging our food supply chain and distribution coverage. Further to the house brand *Cheer* dairy and nuts products introduced to market last year with steady progress, *Del Leche* is another house brand launched into the market this year, covering several dairy product categories such as liquid milk, cheese and other dairy products.

Consumer Products Business

- Electrical appliances distribution business continued to grow with the good sales momentum of imported audio-visual and mobile accessories products.

- Expanding retail network with 51 *DCH AV Shops* and *DCH Digi Shops* in Hong Kong and mainland China amongst key cities of Shanghai, Chengdu, Suzhou and Guangzhou, etc, and planning to build a network of 80 shops by the end of 2013.

- Launched Tchibo's *Cafissimo*, a premium brand in capsules coffee machinery arena, originated from Germany, which is one of the leading coffee companies in the world.

Logistics Business

- The establishment of a new repacking center in Shanghai is completed which will significantly increase our repacking service to a major confectionery supplier in the second half of 2013.

- In June, we acquired a cold chain logistics operator in Guangzhou with 8,000 tonnages of multi-temperature storage and 16 delivery trucks. Together with other logistics facilities strategically located in Shanghai, Xinhui, Xiamen and Shenzhen, it will provide cost effective and quality supports for the group to expand our Food Business.

- Along with the increasing trend of food safety concern and growing demand of high quality food products, the group will further expand our cold chain network and logistics facilities to provide reliable value added service to our business partners.

Electrical Appliances Manufacturing

- The stagnant European market and arising operating costs in the PRC hindered the business growth of our electrical appliances manufacturing business.

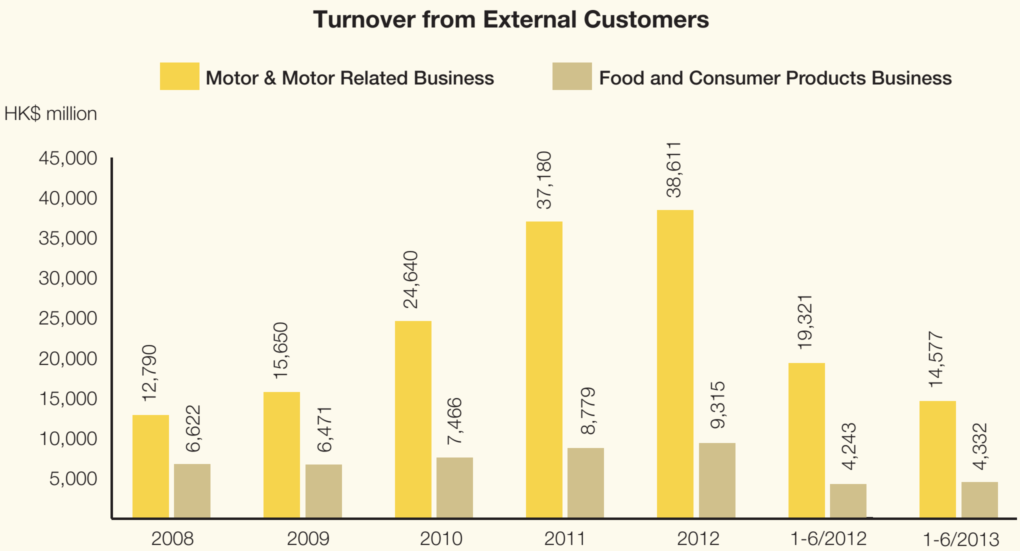
- Restructuring plan was undergoing to shrink costs and fine-tune product specification.

Financial Review

INTRODUCTION

The Group's 2013 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 for the first six months of 2013 was HK$18,935 million, decreased by 19.9% compared with HK$23,636 million for the same period of 2012, which was mainly attributable to the followings:

- ### Motor and Motor Related Business

  Turnover of Motor and Motor Related Business Segment decreased by 24.6%. Turnover of PRC market dropped by 34.4% mainly attributable to the discontinuation of the Bentley distributorship in the PRC and the temporary setback in sales of imported commercial vehicles with the slow down of infrastructure development in the PRC. Turnover of Hong Kong and Macao segment grew remarkably by 23.9% as a result of our successful strategy in promoting environment-friendly products meeting the requirements of HKSAR Government policy. Turnover of other markets segment also grew by 35.9% with the commencement of Isuzu distributorship business in Taiwan and increased sales of commercial vehicles in Singapore.

- ### Food and Consumer Products Business

  Turnover of Food and Consumer Products Business Segment increased by 2.1% with Hong Kong and Macao market grew by 3.2%, China market grew by 2.3% and other markets dropped by 4.8%. In addition, revenue of HK$1,694 million (1-6/2012: HK$499 million) from frozen pork and poultry business was booked separately under our joint venture with BRF S.A.. The FMCG distribution business in the PRC was also impacted by the significantly reduced gift market over the Chinese New Year period. For Consumer Products Business, the sales momentum of the trendy mobile electronic audio products remained strong in both Hong Kong and PRC market.

SEGMENT PROFIT AFTER TAXATION

Segment profit after taxation decreased by 15.9% for the first six months of 2013 compared with the same period of 2012 attributable to the following major reportable segments:

- ### Motor and Motor Related Business

  Segment profit after taxation dropped by 20.9% to HK$428 million (1-6/2012: HK$541 million). This was mainly attributable to the segment profit in mainland China reduced by 57.1% to HK$171 million (1-6/2012: HK$399 million) owing to the discontinuation of the Bentley distributorship in the PRC, decrease in contribution from the imported commercial vehicle business and motor dealership business resulting from drop in gross margin on new car sales. The segment profit in Hong Kong and Macao on the other hand increased by 51.4% to HK$212 million (1-6/2012: HK$140 million), which was due to the increase in sales of environment-friendly vehicles and also benefited from the favourable exchange rates in the first half of 2013. Other markets also contributed a segment profit after taxation of HK$45 million (1-6/2012: HK$2 million) after including the goodwill payment for the discontinuation of the Richmond Acura dealership on 30 June 2013.

- ### Food and Consumer Products Business

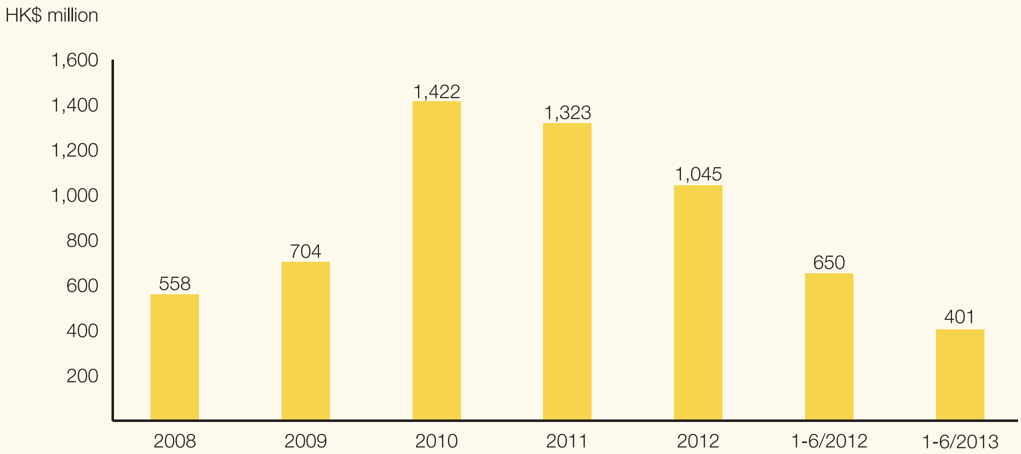
  Segment profit after taxation increased by 25.0% to HK$85 million (1-6/2012: HK$68 million). Segment profit after taxation in Hong Kong and Macao increased by 18.4% to HK$103 million (1-6/2012: HK$87 million) mainly attributable to increased contribution from food processing, food commodities, FMCG and electrical appliances businesses. Segment profit after taxation in mainland China decreased by 36.0% to HK$16 million (1-6/2012: HK$25 million), affected by the unexpected slow down in sales of FMCG products during the Chinese New Year period and start-up costs for the new logistic facilities in Shanghai. For other markets, the electrical appliances manufacturing business for sales mainly to the European market continued to be challenging and incurring a smaller loss during the period.

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 2013 was HK$401 million, a decrease of 38.3% as compared with HK$650 million for the same period of 2012, mainly affected by the drop in profit contribution of PRC motor segment and a lower net gain on remeasurement of investment properties and properties held for sale.

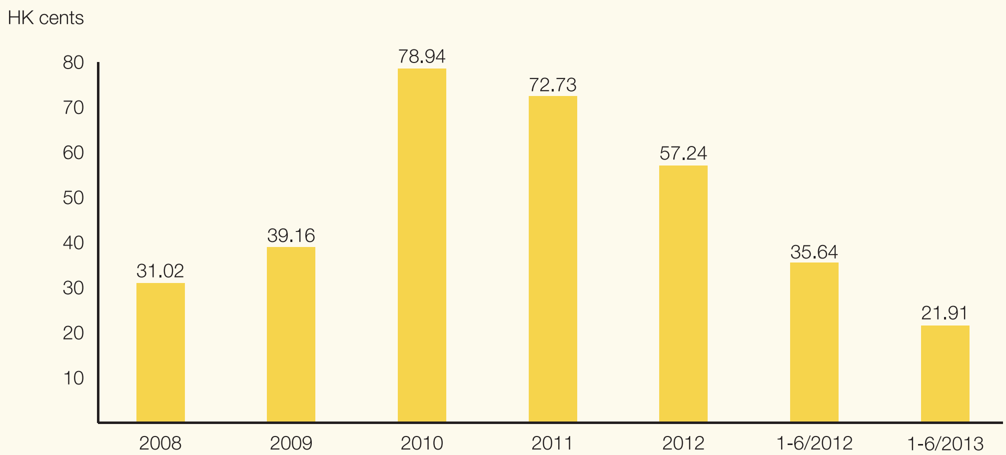
Profit Attributable to Shareholders



BASIC EARNINGS PER SHARE

Calculation of basic earnings per share for the six months ended 30 June 2013 was based on the profit attributable to shareholders of the Company and the weighted average number of 1,830,612,890 ordinary shares (2012: 1,824,048,440 ordinary shares) in issue during the period. Basic earnings per share was 21.91 HK cents for the first half of 2013, a decrease of 38.5% as compared with 35.64 HK cents for the same period of 2012.

Basic Earnings per Share



DIVIDEND PER SHARE

An interim dividend of 8.68 HK cents (2012: 11.78 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 2013 of HK$397 million (1-6/2012: HK$538 million) which was arrived at after excluding net gain on remeasurement of investment properties and other non-operating items.

FINANCE COSTS

The Group's finance costs decreased by 32.5% to HK$110 million mainly due to decrease of bank borrowings during the period as a result of tightened control of working capital and the implementation of cash pooling in the PRC.

INCOME TAX

Income tax decreased by 32.3% to HK$159 million (1-6/2012: HK$235 million). The effective tax rate for the period was 28.7% (1-6/2012: 27.2%).

NET ASSET VALUE PER SHARE

Calculation of net asset value per share was based on the net asset value of the Group of HK$9,138 million (31 December 2012: HK$8,904 million) and the 1,830,993,000 ordinary shares issued at 30 June 2013 (31 December 2012: 1,829,743,000 ordinary shares). Net asset value per share at 30 June 2013 was HK$4.99 (31 December 2012: HK$4.87 per share).

CAPITAL EXPENDITURE

During the first half year of 2013, the Group's total capital expenditure was HK$552 million (1-6/2012: HK$372 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, and construction of logistics facilities in the PRC

HK$ million	**1-6/2013**	1-6/2012	Change
Motor and Motor Related Business	**502**	313	189
Food and Consumer Products Business	**41**	41	–
Other Business	**2**	9	(7)
Corporate Office	**7**	9	(2)
Total	**552**	372	180

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 had borrowed AUD30 million 3-year term bank loan which had been swapped into USD by cross currency swap to reduce exchange and interest rate exposure.

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 2013, the Group recognised foreign currency forward contracts with a fair value of HK$2 million liabilities (31 December 2012: HK$4 million liabilities) as derivative financial instruments.

Interest Rate Exposure

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

In March 2013, the Group had entered into a number of interest rate swaps with a notional contract amount of HK$300 million to reduce the impact of interest rate fluctuation on its unsecured bank borrowings. These interest rate swaps will be expired in September and November 2015.

At 30 June 2013, together with the interest rate swaps entered in 2012, the Group had total outstanding interest rate swaps with a notional contract amount of HK$1,144 million. At 30 June 2013, the Group recognised interest rate swaps with a fair value of HK$1 million assets (31 December 2012: 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	**1-6/2013**	1-6/2012	Change
Operating profit before changes in working capital	**882**	1,135	(253)
Increase in working capital	**(306)**	(2,212)	1,906
Cash generated from / (used in) operations	**576**	(1,077)	1,653
Income tax paid	**(201)**	(308)	107
Net cash generated from / (used in) operating activities	**375**	(1,385)	1,760
Net cash used in investing activities	**(445)**	(383)	(62)
Net cash (used in) / generated from financing activities	**(681)**	1,116	(1,797)
Net decrease in cash and cash equivalents	**(751)**	(652)	(99)

Operating profit before changes in working capital

Profit before taxation was HK$554 million for the six months ended 30 June 2013 (1-6/2012: HK$864 million). After adding back the non-cash items like depreciation, amortisation and impairment losses, and excluding the exceptional items like the net gain on remeasurement of investment properties and gain on disposal of investment properties and other fixed assets, operating profit before changes in working capital was HK$882 million (1-6/2012: HK$1,135 million).

Increase in working capital

For the six months ended 30 June 2013, working capital increased by HK$306 million whereas for the same period in 2012, working capital increased by HK$2,212 million mainly due to increase in vehicle stock in the PRC.

Net cash generated from / (used in) operating activities

Cash generated from operations, after taking into account the increase in working capital, was HK$576 million for the six months ended 30 June 2013 (1-6/2012: cash used in operations of HK$1,077 million).

After taking into account the tax paid of HK$201 million (1-6/2012: HK$308 million), net cash generated from operating activities for the six months ended 30 June 2013 was HK$375 million (1-6/2012: net cash used in operating activities of HK$1,385 million).

Net cash used in investing activities

Purchase of fixed assets and lease prepayments for the six months ended 30 June 2013 were HK$551 million (1-6/2012: HK$399 million) and net cash outflow for new investments and other miscellaneous investment income during the period was HK$195 million (1-6/2012: HK$92 million). After netting off the net proceeds from disposal of fixed assets and repayment from jointly controlled entities HK$301 million (1-6/2012: HK$108 million), net cash used in investing activities was HK$445 million (1-6/2012: HK$383 million).

Net cash (used in) / generated from financing activities

Net cash used in financing activities was HK$681 million for the six months ended 30 June 2013 (1-6/2012: net cash generated from financing activities of HK$1,116 million). This was mainly due to the net repayment of bank loans and other loans of HK$437 million (1-6/2012: net proceeds from new bank loans and other loans of HK$1,486 million), interest paid of HK$110 million (1-6/2012: HK$163 million), dividends paid to shareholders of the Company of HK$162 million (1-6/2012: HK$232 million) and dividends paid to holders of non-controlling interests of HK$5 million in same period last year, offset by net advance from non-controlling interests of HK$22 million (1-6/2012: HK$5 million) and proceeds from shares issued under share option schemes of HK$6 million (1-6/2012: HK$25 million).

GROUP DEBT AND LIQUIDITY

The financial position of the Group at 30 June 2013, as compared to 31 December 2012, is summarised as follows:

HK$ million	**30 June 2013**	31 December 2012	Change
Total debt	**6,008**	6,409	(401)
Cash and bank deposits	**2,465**	3,225	(760)
Net debt	**3,543**	3,184	359

The original denomination of the Group's borrowings as well as cash and bank deposit balances by currencies at 30 June 2013 is summarised as follows:

HK$ million equivalent	HKD	RMB	JPY	USD	CAD	SGD	NTD	AUD	Others	**Total**
Total debt	2,921	2,110	107	325	9	90	183	242	21	**6,008**
Cash and bank deposits	190	1,987	107	89	6	18	24	–	44	**2,465**
Net debt / (cash)	2,731	123	–	236	3	72	159	242	(23)	**3,543**

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 2013, the Group's net gearing ratio was 28.9%, compared to 27.2% at 31 December 2012.

HK$ million	**30 June 2013**	31 December 2012	Change
Net debt	**3,543**	3,184	359
Shareholders' funds	**8,734**	8,511	223
Total capital	**12,277**	11,695	582
Net gearing ratio	**28.9%**	27.2%	1.7%

Net debt increased in the first six months of 2013 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 2013 was 3.7% (31 December 2012: 4.1%) with the reduction in RMB borrowings which carry a higher interest rate.

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 2013, the borrowings were repayable as follows:

	HK$ million	% of total
Within 1 year or on demand	**3,739**	62%
After 1 year but within 2 years	**1,297**	22%
After 2 years but within 5 years	**972**	16%
Total	**6,008**	100%

Available Sources of Financing

In addition to cash and bank deposits of HK$2,465 million at 30 June 2013 (31 December 2012: HK$3,225 million), the Group had undrawn available loan facilities totalling HK$7,863 million (31 December 2012: HK$8,538 million), of which HK$445 million (31 December 2012: HK$789 million) was committed term loans and HK$7,418 million was money market lines (31 December 2012: HK$7,749 million). The Group also had available trade facilities amounting to HK$4,836 million (31 December 2012: HK$7,630 million). Borrowings by sources of financing at 30 June 2013 is summarised as follows:

HK$ million	**Total**	Utilised	Available
Committed facilities:			
Term loans and revolving loans	**3,618**	3,173	445
Uncommitted facilities:			
Money market lines	**10,126**	2,708	7,418
Trading facilities	**6,736**	1,900	4,836

This could be reconciled to the total debt as follows:

HK$ million	**30 June 2013**	31 December 2012	Change
Utilised term loans and revolving loans	**3,173**	3,418	(245)
Utilised money market lines	**2,708**	2,898	(190)
Discounted bills and trade loans	**119**	89	30
Overdraft and others	**8**	4	4
Total	**6,008**	6,409	(401)

Financial Review

PLEDGED ASSETS

At 30 June 2013, the Group's assets of HK$776 million (31 December 2012: HK$880 million) were pledged in relation to financing of discounted bills in Japan, issuance of bank acceptance drafts and purchase of vehicle stock in mainland China.

CAPITAL COMMITMENTS

Please refer to note 19 to the condensed financial statements for details of capital commitments outstanding at 30 June 2013.

CONTINGENT LIABILITIES

Please refer to note 21 to the condensed financial statements for details of contingent liabilities at 30 June 2013.

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 2013, the Group had complied with all of the above financial covenants.

WORK PLACE QUALITY

As at 30 June 2013, the Group had a total of 15,653 employees, with 11,454 in mainland China, 3,699 in Hong Kong and Macao, and 500 in other locations, namely, Japan, Taiwan and Singapore.

Location	**June 2013**	December 2012	June 2012	June 2013 vs December 2012	June 2013 vs June 2012
Mainland China	**11,454**	11,463	11,750	–0.1%	–2.5%
Hong Kong & Macao	**3,699**	3,670	3,610	0.8%	2.5%
Other Locations	**500**	454	361	10.1%	38.5%
Total	**15,653**	15,587	15,721	0.4%	–0.4%

The number of employees slightly decreased by 0.4% over June 2012 and increased by 0.4% over December 2012.

Competitive compensation and benefits are offered to attract, motivate and retain talents. The Group conducts annual review of these programmes to ensure their market competitiveness. Responding to the competitive labour situations, the Group also implements mid-year reviews to selected functions and individuals to ensure their 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. In Hong Kong, a total of 12 events were organised from January to June 2013; a total of 503 employees and their family members participated.

The employee survey was commenced late last year. The response rate was at a high 84%. Employees' observations and suggestions were analysed and feedbacks were provided to various business units for developing the action plans to address these comments.

The Group was also affected by the volatile and competitive labour market. In Hong Kong, the staff turnover rate for the first half of 2013 was 12.1%, while that for mainland China was 16.4%. Higher staff turnover was experienced in the frontline sales and technical employees.

Development and Training

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 also organises various types of traineeship programmes, for example, management trainee, engineering trainee and apprenticeship programmes.

Anti-corruption

The Group exerts constant effort to ensure high standards of business ethics and personal conduct of its employees. The Independent Commission Against Corruption (ICAC) had been invited to give talks to the employees on corruption prevention and situations handling. During the first half of 2013, 8 sessions were organised and a total of 484 employees at different levels attended.

Environmental, Social and Governance Report

ENVIRONMENTAL PROTECTION

Emission and Waste Reduction

Being a responsible motor dealer in Hong Kong and mainland China, we are always aware of the carbon emission caused by vehicles. To promote green driving, we will introduce more environment-friendly vehicles which meet the highest emission standard, such as the electric buses and other emission reduction devices to reduce the impact on air quality.

As a long-term commitment to the environment, DCH has joined the Low-carbon Office Operation Programme (LOOP) held by WWF. We have set carbon reduction target "1/2/3" and strive for carbon emission reduction target of at least 1% annually.

In order to reduce waste and promote culture of green workplace, we actively encourage recycling in various aspects including papers, cans and bottles, ferrous metals, computer components, electrical appliance parts and telephone system equipment.

Support eco-friendly NGOs

Over the years, we have been continuously supporting green organisations for their eco-friendly work such as the "Earth Hour" organised by WWF and "Tree Planting Challenge" of Friends of Earth. This year, we joined the World Green Organisation (WGO) as a pilot company and aimed to share our experience on implementation of green office practices. We were also invited by WGO to media interviews to share with the public our environment-friendly principles and practices.

Green Education

In order to encourage staff to adopt an eco-friendly lifestyle, DCH has engaged staff to participate in green activities both internally and externally. Internally, DCH Green Committee arranged a series of "Green Care" programmes such as workshops, campaigns, outings and seminars. To support United Nation's World Environment Day in June 2013, small plants were given to staff to encourage green life. Externally, staff were encouraged to join the "Used lai-see envelopes and Chinese New Year gifts recycling programme" organised by NGO.

COMMUNITY INVOLVEMENT

DCH Volunteer Team

Since the establishment of DCH Volunteer Team last year, we have been striving to grow and develop the team. Voluntary activities are organised regularly to involve staff and their family members in community service. In addition to the elderly, children and underprivileged, the range of our service target was also extended to mentally impaired people and elderly with suicide attempt. DCH Volunteer Team spread love and care to different groups in need in the society, and at the same time our service skill to different service targets was enriched too.

Oxfam Rice Sale

Oxfam rice is the annual large scale fund raising event of Oxfam which we have been supporting for years. In 2013, we kept sponsoring all the rice for sale in the event and organised volunteers to participate in the rice sale. Donation boxes were also placed at office and canteen to raise more fund among staff. In addition to the rice sale proceed to Oxfam, our staff also donated over 1,000 rice packs they bought to foodbank. We achieved outstanding result in this campaign and were awarded the "Third Fundraiser in Kwun Tong District", "Outstanding Rice Sale Volunteer Team" and "Third Fundraiser Among Co-organising Parties" by Oxfam.

Mobile Classroom Project

Mobile Classroom is another highlighted project of our Group. Being the major sponsor of this project, we have donated over HK$1.0 million for the purchase and operating expense of these two mini-vans to run through mountainous area in Sichuan to serve children and villagers. On-going fund raising campaigns were organised to support the operation of two Mobile Classrooms in the first half of 2013, such as the charity book sale, experience camp and Li Yundi Piano Recital. In March 2013, we sponsored and participated in the experience camp organised by YMCA. Over 120 people from the public joined and experienced the tough living condition of Sichuan villagers and the event raised around HK$0.2 million. The Li Yundi Piano Recital, another fund raising event sponsored by DCH, also achieved great success by raising over HK$1.6 million for the two Mobile Classrooms. We intend to continue our support to extend the service to benefit more people living in the poverty.

Volunteer Development

Volunteer development is important to the sustainability of DCH Volunteer Team. We have devoted lots of resources on volunteer development to engage volunteers and to equip them with relevant service techniques. A rope challenge team building training was organised in March 2013 to build the team spirit and trust among volunteer leaders. A communication workshop and a sharing session with CLP were also held to enhance volunteers' skill. Looking forward, with our continuous effort to nurture committed volunteers in DCH, we believe the size of our Volunteer Team will keep growing and caring seeds will be spread to every corner of the society.

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 40 to 54 of the Annual Report 2012 and DCH's website at www.dch.com.hk.

DCH has applied the principles and complied with all code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the six months ended 30 June 2013. The Board has adopted the Board Diversity Policy on 14 August 2013.

The Audit Committee of the Board, consisting of four independent non-executive directors, has reviewed the Interim Report 2013 with the management and DCH's internal and external auditors and recommended its adoption by the Board.

The interim financial report for the six months ended 30 June 2013 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 2013 on page 47.

DCH has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules, all directors confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2013.

Consolidated Income Statement

HK$ million	Note	Unaudited Six months ended 30 June 2013	2012
Turnover	2	**18,935**	23,636
Cost of sales		**(16,592)**	(20,841)
Gross profit		**2,343**	2,795
Other income		**305**	279
Selling and distribution expenses		**(1,201)**	(1,280)
Administrative expenses		**(810)**	(839)
Profit from operations		**637**	955
Net gain on remeasurement of investment properties	8	**13**	24
Net gain on remeasurement of an investment property reclassified as asset held for sale	8(b)	**–**	78
Impairment losses on property, plant and equipment		**–**	(20)
Impairment losses on amounts due from jointly controlled entities		**–**	(20)
Finance costs	3(a)	**(110)**	(163)
Share of profit after tax of associates		**5**	4
Share of profit after tax of jointly controlled entities		**9**	6
Profit before taxation	3	**554**	864
Income tax	4	**(159)**	(235)
Profit for the period		**395**	629
Attributable to:			
Shareholders of the Company		**401**	650
Non-controlling interests		**(6)**	(21)
		395	629
Basic earnings per share (HK cents)	6(a)	**21.91**	35.64
Diluted earnings per share (HK cents)	6(b)	**21.86**	35.51

Consolidated Statement of Comprehensive Income

HK$ million	Note	Unaudited Six months ended 30 June 2013	2012
Profit for the period		**395**	629
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of entities outside Hong Kong:			
– subsidiaries		**(32)**	(79)
– associates and jointly controlled entities		**4**	(5)
Item that will not be reclassified to profit or loss:			
Revaluation gain recognised upon transfer from property held for own use to investment property	8(a)	**17**	–
Other comprehensive income for the period, net of tax		**(11)**	(84)
Total comprehensive income for the period		**384**	545
Attributable to:			
Shareholders of the Company		**385**	573
Non-controlling interests		**(1)**	(28)
		384	545

Consolidated Balance Sheet

HK$ million	Note	Unaudited 30 June 2013	Audited 31 December 2012
Non-current assets			
Fixed assets			
– Property, plant and equipment	7	**3,668**	3,358
– Investment properties	8	**529**	565
		4,197	3,923
Lease prepayments	9	**525**	491
Intangible assets	10	**729**	670
Goodwill		**355**	344
Interest in associates		**259**	236
Interest in jointly controlled entities	11	**266**	254
Available-for-sale investments		**8**	8
Deferred tax assets		**66**	108
		6,405	6,034
Current assets			
Inventories		**5,680**	5,536
Asset held for sale	12	**19**	–
Trade and other receivables	13	**5,501**	5,464
Current tax recoverable		**46**	47
Cash and bank deposits		**2,465**	3,225
		13,711	14,272
Current liabilities			
Borrowings	14	**3,739**	3,471
Trade and other payables	15	**4,604**	4,556
Current tax payable		**116**	191
		8,459	8,218
Net current assets		**5,252**	6,054
Total assets less current liabilities		**11,657**	12,088
Non-current liabilities			
Borrowings	14	**2,269**	2,938
Deferred tax liabilities		**250**	246
		2,519	3,184
Net assets		**9,138**	8,904
Capital and reserves			
Share capital	16	**274**	274
Reserves		**8,460**	8,237
Total equity attributable to shareholders of the Company		**8,734**	8,511
Non-controlling interests		**404**	393
Total equity		**9,138**	8,904

Consolidated Statement of Changes in Equity

HK$ million **Unaudited** **Six months ended 30 June 2013**	Note	Share capital (16)	Share premium	General reserve	Capital reserve	Statutory surplus reserve	Merger reserve	Share option reserve	Exchange fluctuation reserve	Asset revaluation reserve (8(a))	Retained profits	Total	Non-controlling interests	Total equity
		Attributable to shareholders of the Company												
At 1 January 2013		274	1,188	247	143	68	1	29	838	2	5,721	8,511	393	8,904
Profit for the period		–	–	–	–	–	–	–	–	–	401	401	(6)	395
Other comprehensive income		–	–	–	–	–	–	–	(33)	17	–	(16)	5	(11)
Total comprehensive income for the period		–	–	–	–	–	–	–	(33)	17	401	385	(1)	384
Acquisition of non-controlling interests	17(b)	–	–	(19)	–	–	–	–	–	–	–	(19)	–	(19)
Non-controlling interests arising from acquisition of a subsidiary	17(a)(ii)	–	–	–	–	–	–	–	–	–	–	–	12	12
Share-based payments	3(b)	–	–	–	–	–	–	13	–	–	–	13	–	13
Exercise of share options		–	7	–	–	–	–	(1)	–	–	–	6	–	6
Transfer to retained profits		–	–	(97)	–	4	–	–	–	–	93	–	–	–
Dividends	5(b)	–	–	–	–	–	–	–	–	–	(162)	(162)	–	(162)
At 30 June 2013		274	1,195	131	143	72	1	41	805	19	6,053	8,734	404	9,138

HK$ million Unaudited Six months ended 30 June 2012	Note	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
		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	3(b)	–	–	–	–	–	–	2	–	–	–	2	–	2
Exercise of share options		1	31	–	–	–	–	(7)	–	–	–	25	–	25
Disposal of a jointly controlled entity		–	–	(1)	–	–	–	–	–	–	1	–	–	–
Dividends	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

Condensed Consolidated Cash Flow Statement

HK$ million	Unaudited Six months ended 30 June 2013	2012
Operating profit before changes in working capital	**882**	1,135
Increase in inventories	**(99)**	(2,300)
(Increase) / decrease in trade and other receivables	**(151)**	635
Decrease in trade and other payables	**(56)**	(547)
Cash generated from / (used in) operations	**576**	(1,077)
Income tax paid	**(201)**	(308)
Net cash generated from / (used in) operating activities	**375**	(1,385)
Net cash used in investing activities	**(445)**	(383)
Net cash (used in) / generated from financing activities	**(681)**	1,116
Net decrease in cash and cash equivalents	**(751)**	(652)
Cash and cash equivalents at 1 January	**2,951**	2,375
Effect of foreign exchange rates changes	**(8)**	(25)
Cash and cash equivalents at 30 June	**2,192**	1,698
Analysis of the balances of cash and cash equivalents		
Cash and bank deposits	**2,465**	2,033
Less:		
Bank deposits with maturity over three months from date of deposit	**–**	(2)
Pledged deposits	**(238)**	(301)
Bank overdrafts	**(35)**	(32)
	2,192	1,698

Notes to the Condensed Financial Statements

1. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants ("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 2012.

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 2012, except for the adoption of all relevant new and revised Hong Kong Financial Reporting Standards ("HKFRSs") 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

The Group manages its businesses by business line and geographical location. Following the internal reorganisation and consistent with the way the information is reported internally to the Group's senior executive management for the purposes of resource allocation and performance assessment, the Group has combined the Food and Consumer Products Business segment and the Logistics Business segment during the six months ended 30 June 2013 and has identified the following reportable segments:

(i) Motor and Motor Related Business (Hong Kong & Macao / Mainland China / Other Markets)

The motor and motor related business mainly consists of the operations of (i) motor vehicle distribution and dealership business, which includes sales of motor vehicles and provision of after-sales services; and (ii) other motor vehicle related business, which includes operation of independent service outlets, original equipment parts trading, used car trading, motor leasing, environmental and engineering businesses, as well as airport and aviation support businesses. The "Other Markets" geographical segment mainly covers business operations in Singapore and Taiwan.

(ii) Food and Consumer Products Business (Hong Kong & Macao / Mainland China / Other Markets)

The food and consumer products business primarily consists of the operations of (i) trading and distribution of food commodities, distribution of fast moving consumer goods, and retail of food products under DCH Food Mart / DCH Food Mart Deluxe; (ii) distribution of electrical appliances products; (iii) trading and distribution of other consumer products; and (iv) the provision of a wide range of integrated professional logistics and supply chain management solutions and cold chain management services. The "Other Markets" geographical segment mainly covers business operations in Japan, Singapore and the European markets.

(iii) Other Business

Other business includes four small operating segments namely property business, advertising business, insurance business and other investments. The revenue from these segments are below the quantitative threshold for determining a reportable segment.

As a result of the change in segment reporting, the corresponding comparative figures have been restated to conform to the new presentation.

2. SEGMENT REPORTING (CONTINUED)

(a) Segment results

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						
Unaudited **Six months ended 30 June 2013**	**Hong Kong & Macao**	**Mainland China**	**Other Markets**	**Sub-total**	**Hong Kong & Macao**	**Mainland China**	**Other Markets**	**Sub-total**	**Other Business**	**Inter-segment elimination**	**Total**
Turnover from external customers	2,903	10,625	1,049	14,577	2,352	1,607	373	4,332	26	–	18,935
Inter-segment turnover	1	–	–	1	–	1	–	1	40	(42)	–
Segment Turnover	2,904	10,625	1,049	14,578	2,352	1,608	373	4,333	66	(42)	18,935
Segment result from operations	247	263	57	567	120	20	(30)	110	36	–	713
Share of profit / (loss) after tax of associates	–	(4)	–	(4)	–	9	–	9	–	–	5
Share of profit after tax of jointly controlled entities	–	2	–	2	4	–	–	4	3	–	9
Segment profit / (loss) before taxation	247	261	57	565	124	29	(30)	123	39	–	727
Segment income tax	(35)	(90)	(12)	(137)	(21)	(13)	(4)	(38)	(9)	–	(184)
Segment profit / (loss) after taxation	212	171	45	428	103	16	(34)	85	30	–	543

HK$ million	Motor and Motor Related Business				Food and Consumer Products 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	Other Business	Inter-segment elimination	Total
Turnover from external customers	2,342	16,207	772	19,321	2,280	1,571	392	4,243	72	–	23,636
Inter-segment turnover	1	–	–	1	–	1	–	1	30	(32)	–
Segment Turnover	2,343	16,207	772	19,322	2,280	1,572	392	4,244	102	(32)	23,636
Segment result from operations	164	595	2	761	103	26	(39)	90	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	105	34	(39)	100	40	–	899
Segment income tax	(27)	(191)	–	(218)	(18)	(9)	(5)	(32)	(3)	–	(253)
Segment profit / (loss) after taxation	140	399	2	541	87	25	(44)	68	37	–	646

2. SEGMENT REPORTING (CONTINUED)

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

		Unaudited	
		Six months ended 30 June	
HK$ million	Note	**2013**	2012
Segment profit after taxation		**543**	646
Net gain / (loss) on			
– remeasurement of investment properties	8	**13**	24
– remeasurement of an investment property reclassified as asset held for sale	8(b)	**–**	78
– disposal of an investment property	3(b)	**(1)**	(2)
– disposal of a jointly controlled entity	3(b)	**–**	(4)
Amortisation of fair value adjustments on fixed assets and intangible assets arising from business combinations		**(29)**	(26)
Impairment losses on			
– property, plant and equipment	3(b)	**–**	(20)
– amounts due from jointly controlled entities	3(b)	**–**	(20)
Net fair value gain on			
– foreign currency forward contracts		**2**	51
– interest rate swaps		**4**	–
Share-based payments	3(b)	**(13)**	(2)
Unallocated corporate expenses		**(149)**	(114)
Reconciliation items before taxation		**(173)**	(35)
Tax impact:			
Net tax effect on the above reconciliation items		**25**	18
Reconciliation items net of taxation		**(148)**	(17)
Profit for the period		**395**	629

3. PROFIT BEFORE TAXATION

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

HK$ million	Unaudited Six months ended 30 June 2013	2012
(a) Finance costs		
Interest on bank advances and other borrowings wholly repayable within five years	**110**	163
(b) Other items		
Amortisation:		
– lease prepayments	**5**	5
– intangible assets	**22**	20
Depreciation	**248**	216
Write-down of inventories	**42**	91
Reversal of write-down of inventories	**(101)**	(15)
Net (reversal of impairment losses) / impairment losses on:		
– property, plant and equipment	**–**	20
– amounts due from jointly controlled entities	**–**	20
– trade and other receivables	**(4)**	(8)
Net gain on disposal of property, plant and equipment	**(5)**	(3)
Net loss on disposal of an investment property	**1**	2
Net loss on disposal of a jointly controlled entity	**–**	4
Interest income	**(10)**	(15)
Share-based payments	**13**	2

4. INCOME TAX

Hong Kong Profits Tax is calculated at 16.5% (2012: 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:

HK$ million	Unaudited Six months ended 30 June 2013	2012
Current income tax		
– Hong Kong Profits Tax	**42**	47
– Outside Hong Kong	**79**	227
	121	274
Deferred tax		
– Origination and reversal of temporary differences	**33**	(50)
Withholding tax	**5**	11
Total	**159**	235

5. DIVIDEND

(a) Dividend attributable to the period is as follows:

	Unaudited Six months ended 30 June	
HK$ million	**2013**	2012
Interim dividend declared after the balance sheet date of 8.68 HK cents (2012: 11.78 HK cents) per share	**159**	215

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

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

	Unaudited Six months ended 30 June	
HK$ million	**2013**	2012
Final dividend approved and paid of 8.88 HK cents (2012: 12.74 HK cents) per share	**162**	232

6. EARNINGS PER SHARE

(a) Basic earnings per share

The basic earnings per share for the six months ended 30 June 2013 is based on the profit attributable to shareholders of the Company of HK$401 million (2012: HK$650 million) and the weighted average number of 1,830,612,890 ordinary shares (2012: 1,824,048,440 ordinary shares) in issue during the period.

(b) Diluted earnings per share

The diluted earnings per share for the six months ended 30 June 2013 is based on the profit attributable to shareholders of the Company of HK$401 million (2012: HK$650 million) and the weighted average number of 1,834,193,172 ordinary shares (diluted) (2012: 1,830,448,447 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 2013	Audited 31 December 2012
Opening net book value	**3,358**	3,070
Exchange adjustments	**15**	20
Additions	**552**	936
Acquisition of subsidiaries (Note 17(a))	**124**	5
Transfer to inventories	**(5)**	(8)
Transfer to investment properties (Note 8(a))	**–**	(16)
Transfer to asset held for sale (Note 12)	**(19)**	–
Amortisation capitalised in construction in progress (Note 9)	**2**	–
Disposals	**(111)**	(156)
Depreciation	**(248)**	(459)
Impairment loss	**–**	(34)
Closing net book value	**3,668**	3,358

8. INVESTMENT PROPERTIES

HK$ million	Unaudited 30 June 2013	Audited 31 December 2012
Opening net book value	**565**	875
Exchange adjustments	**(43)**	(40)
Transfer from property, plant and equipment (Note (a))	**17**	16
Transfer to asset held for sale (Note (b))	**–**	(324)
Disposals	**(23)**	(5)
Net gain on remeasurement	**13**	43
Closing net book value	**529**	565

Notes:

(a) During the six months ended 30 June 2013, a property with carrying amount of HK$0.2 million was transferred from property, plant and equipment to investment properties as the property was leased out to a third party. The difference between its fair value and carrying amount at the date of transfer of HK$17 million had been credited to asset revaluation reserve.

(b) In December 2012, the Group disposed of an investment property situated in Hong Kong at a consideration of HK$405 million, which had been reclassified as asset held for sale at 30 June 2012 with a carrying amount of HK$324 million. A remeasurement gain of HK$78 million was recognised in the consolidated income statement for the six months ended 30 June 2012.

9. LEASE PREPAYMENTS

HK$ million	Unaudited 30 June 2013	Audited 31 December 2012
Opening net book value	**491**	382
Exchange adjustments	**4**	3
Acquisition of subsidiaries (Note 17(a))	**37**	–
Additions	**–**	116
Amortisation	**(5)**	(10)
Amortisation capitalised in construction in progress (Note 7)	**(2)**	–
Closing net book value	**525**	491

10. INTANGIBLE ASSETS

HK$ million	Unaudited 30 June 2013	Audited 31 December 2012
Opening net book value	**670**	710
Exchange adjustments	**5**	4
Acquisition of subsidiaries (Note 17(a))	**76**	–
Amortisation	**(22)**	(41)
Impairment loss	**–**	(3)
Closing net book value	**729**	670

11. INTEREST IN JOINTLY CONTROLLED ENTITIES

One of the Group's jointly controlled entities, Rising Star Food Company Limited ("Rising Star"), is a 50% owned jointly controlled entity which was incorporated in Hong Kong and commenced business since April 2012. Rising Star and its subsidiary are engaged in the distribution of frozen meat with a turnover of HK$1,694 million during the six months ended 30 June 2013 (2012: HK$499 million).

12. ASSET HELD FOR SALE

During the six months ended 30 June 2013, a property situated in Canada with a carrying amount of HK$19 million (Note 7) was reclassified as asset held for sale following the Group's plan to dispose of the property.

13. TRADE AND OTHER RECEIVABLES

HK$ million	**Unaudited 30 June 2013**	Audited 31 December 2012
Trade debtors and bills receivable	**2,264**	2,528
Less: provision for impairment of trade debtors	**(59)**	(63)
	2,205	2,465
Other receivables, deposits and prepayments	**3,132**	2,676
Amounts due from fellow subsidiaries	**–**	2
Amounts due from jointly controlled entities	**152**	311
Amounts due from holders of non-controlling interests	**7**	6
Derivative financial instruments	**5**	4
Total	**5,501**	5,464

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

HK$ million	**Unaudited 30 June 2013**	Audited 31 December 2012
Within 3 months	**2,032**	2,331
More than 3 months but within 1 year	**159**	123
Over 1 year	**14**	11
Total	**2,205**	2,465

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

14. BORROWINGS

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

HK$ million	**Unaudited 30 June 2013**	Audited 31 December 2012
Bank deposits	**238**	259
Trade and other receivables	**63**	65
Inventories	**449**	529
Property, plant and equipment	**26**	27
Total	**776**	880

15. TRADE AND OTHER PAYABLES

HK$ million	**Unaudited 30 June 2013**	Audited 31 December 2012
Trade creditors and bills payable	**1,647**	1,648
Other payables and accrued charges	**2,570**	2,603
Provision for product rectification	**44**	43
Amounts due to associates	**73**	13
Amounts due to jointly controlled entities	**12**	9
Amounts due to holders of non-controlling interests	**252**	229
Derivative financial instruments	**6**	11
Total	**4,604**	4,556

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 2013**	Audited 31 December 2012
Current or within 1 month	**1,575**	1,578
More than 1 month but within 3 months	**52**	43
More than 3 months but within 6 months	**8**	18
Over 6 months	**12**	9
Total	**1,647**	1,648

16. SHARE CAPITAL

	Unaudited 30 June 2013 Number of shares (in million)	Unaudited 30 June 2013 HK$ million	Audited 31 December 2012 Number of shares (in million)	Audited 31 December 2012 HK$ million
Ordinary shares, issued and fully paid:				
At 1 January	**1,830**	**274**	1,821	273
Shares issued under share option schemes	**1**	**–**	9	1
At 30 June / 31 December	**1,831**	**274**	1,830	274

17. ACQUISITION OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS

(a) During the six months ended 30 June 2013, the Group has completed several acquisitions as follows:

(i) In February 2013, the Group acquired 100% equity interest in Leo's Fine Food Company Limited ("Leo"). Leo is engaged in processing and trading of food products in Hong Kong.

(ii) In June 2013, the Group acquired 80% equity interest in Asia Resources Limited and its subsidiaries (collectively known as "Asia Resources Group") which is engaged in provision of a wide range of integrated professional logistics and supply chain management solutions and cold chain management services in Guangzhou, mainland China.

(iii) In June 2013, the Group acquired 100% equity interest in 紹興英之杰汽車銷售服務有限公司 (Shaoxing Yingzhijie Motors Sale and Service Limited) ("Shaoxing GAC Toyota"). Shaoxing GAC Toyota is a 4S dealership which provides sales of vehicles and spare parts, maintenance services and conducts customer surveys for the manufacturer or supplier in respect of the "GAC Toyota" brand in Shaoxing, mainland China.

17. ACQUISITION OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS (CONTINUED)

(a) The acquisitions completed during the six months ended 30 June 2013 had the following effect on the Group's assets and liabilities on their respective dates of acquisition:

HK$ million	**Leo**	**Asia Resources Group**	**Shaoxing GAC Toyota**	**Total**
Property, plant and equipment (Note 7)	58	44	22	124
Lease prepayments (Note 9)	–	17	20	37
Intangible assets (Note 10)	74	2	–	76
Inventories	23	–	10	33
Trade and other receivables	23	4	4	31
Cash and bank deposits	18	1	13	32
Trade and other payables	(6)	(2)	(2)	(10)
Current tax payable	(2)	(4)	–	(6)
Deferred tax liabilities	(13)	(4)	(3)	(20)
Fair value of net assets acquired	**175**	**58**	**64**	**297**
Goodwill	10	–	–	10
Non-controlling interests arising from business combination	–	(12)	–	(12)
Total consideration	185	46	64	295
Less: consideration payable	–	–	(48)	(48)
Consideration paid, satisfied in cash	185	46	16	247
Less: cash acquired	(18)	(1)	(13)	(32)
Net cash outflow	**167**	**45**	**3**	**215**

The total turnover and net profit for the period contributed by Leo, Asia Resources Group and Shaoxing GAC Toyota from their respective dates of acquisition to 30 June 2013 were HK$54 million and HK$6 million respectively.

If these business combinations had occurred on 1 January 2013, the Group's turnover and net profit for the period would have been approximately HK$19,042 million and approximately HK$395 million respectively. These amounts have been calculated by adopting the Group's accounting policies and adjusting the results of the relevant subsidiaries to reflect the additional amortisation and depreciation that would have been charged assuming the fair value adjustments to intangible assets, property, plant and equipment and lease prepayments had been applied from 1 January 2013, together with the consequential tax effects.

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

(b) In March 2013, the Group extended its equity interest in 上海大昌江南鳳有限公司 (Shanghai DCH Jiangnanfeng Co., Ltd.) from 76.77% to 100% at consideration of HK$19 million.

18. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Financial instrument carried at fair value

The fair value of each financial instrument is categorised across three levels of the "fair value hierarchy" defined in HKFRS 13, with the fair value categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

– Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.

– Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.

– Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

At 30 June 2013, the outstanding foreign currency forward contracts, interest rate swaps and cross currency swap of the Group fall into Level 2.

(b) Valuation techniques used for fair value measurements

Foreign currency forward contracts are marked to market using the foreign exchange forward rates ruling at the balance sheet date.

The fair value of interest rate swaps and cross currency swap is the estimated amount that the Group would receive or pay to terminate the swaps at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counter parties.

The present value of future cash flows, discounted at current market interest rates for similar financial instruments of interest bearing bank borrowings are reasonable estimation of their fair values.

19. 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 2013**	Audited 31 December 2012
Contracted for		
– Capital expenditure	**139**	114
– Others	**1**	41
Total	**140**	155
Authorised but not contracted for		
– Capital expenditure	**376**	327
– Others	**117**	267
Total	**493**	594

20. 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 2013	2012
Sales to jointly controlled entities	**3**	83
Purchase from a jointly controlled entity	**58**	35
Purchases from associates	**97**	98
Rental expenses to fellow subsidiaries	**80**	51

(b) 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 2013**	Audited 31 December 2012
Within 1 year	**155**	159
After 1 year but within 5 years	**112**	188
Total	**267**	347

(c) Transactions with state-owned enterprises

Other than those transactions as disclosed above, the Group has certain transactions with other state-owned enterprises including but not limited to sales and 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.

21. CONTINGENT LIABILITIES

At 30 June 2013, the Group had no material contingent liabilities, except the guarantees granted in favour of banks in respect of banking facilities of HK$250 million (31 December 2012: HK$250 million) granted to and utilised by a jointly controlled entity of HK$162 million (31 December 2012: HK$222 million).

22. ULTIMATE HOLDING COMPANY

At 30 June 2013, 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.

23. POST BALANCE SHEET EVENTS

In July 2013, the Group entered into an agreement to extend its equity interest in 雲南聯迪汽車服務有限公司 (Yunnan Liandi Motors Service Limited) ("Yunnan Liandi") from 80% to 100% at a consideration of RMB86.6 million based on latest valuation of tangible assets. Yunnan Liandi is a 4S dealership which provides sales of vehicles and spare parts, maintenance services and conducts customer surveys for the manufacturer or supplier in respect of the "FAW Audi" brand in Kunming, mainland 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 28 to 46 which comprises the consolidated balance sheet of Dah Chong Hong Holdings Limited as of 30 June 2013 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 2013 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

14 August 2013

DIVIDEND AND CLOSURE OF REGISTER

The directors have declared an interim dividend of 8.68 HK cents per share for the year ending 31 December 2013 payable on Wednesday, 18 September 2013 to shareholders whose names appear on the Register of Members of DCH on Friday, 6 September 2013. The Register of Members of DCH will be closed from Wednesday, 4 September 2013 to Friday, 6 September 2013, 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 Tuesday, 3 September 2013.

SHARE OPTION SCHEME

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 2013, none of the share options under the Post-IPO Scheme were cancelled, 100,000 share options lapsed, and 1,250,000 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 2013 is as follows:

(a) DCH directors

Name of director	Date of grant	Exercise period	Exercise price per share HK$	Number of share options: Balance as at 1.1.2013	Granted during the 6 months ended 30.6.2013	Lapsed / cancelled during the 6 months ended 30.6.2013	Exercised during the 6 months ended 30.6.2013	Balance as at 30.6.2013	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	0.098%
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				3,250,000	0.177%
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	8.6.2012	8.6.2013 – 7.6.2017	7.400	1,100,000	–	–	–	1,100,000	0.060%
Glenn Robert Sturrock Smith	7.7.2010	7.7.2010 – 6.7.2015	4.766	1,100,000	–	–	550,000	550,000	
	8.6.2012	8.6.2013 – 7.6.2017	7.400	1,100,000	–	–	–	1,100,000	
				2,200,000				1,650,000	0.090%
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				1,700,000	0.093%

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

Date of grant	Exercise period	Exercise price per share HK$	Number of share options: Balance as at 1.1.2013	Granted during the 6 months ended 30.6.2013	Lapsed / cancelled during the 6 months ended 30.6.2013	Exercised during the 6 months ended 30.6.2013	Balance as at 30.6.2013	Approximate percentage to the issued share capital
7.7.2010	7.7.2010 – 6.7.2015	4.766	3,140,000	–	–	600,000	2,540,000	0.139%
8.6.2012	8.6.2013 – 7.6.2017	7.400	17,100,000	–	100,000	–	17,000,000	0.928%

(c) Others

Date of grant	Exercise period	Exercise price per share HK$	Number of share options: Balance as at 1.1.2013	Granted during the 6 months ended 30.6.2013	Lapsed / cancelled during the 6 months ended 30.6.2013	Exercised during the 6 months ended 30.6.2013	Balance as at 30.6.2013	Approximate percentage to the issued share capital
8.6.2012	8.6.2013 – 7.6.2017	7.400	800,000 (Note)	–	–	100,000	700,000	0.038%

Note: These are in respect of share options granted to former employees who have subsequently retired.

The weighted average closing price of the shares of DCH immediately before the dates on which the share options granted on 7 July 2010 and 8 June 2012 were exercised was HK$8.02 and HK$8.99 respectively.

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 2013 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	300,000	0.016%
Yip Moon Tong	1,300,000 (Note)	0.071%
Lau Sei Keung	180,000	0.010%
Tsoi Tai Kwan, Arthur	138,000	0.008%
Glenn Robert Sturrock Smith	50,000	0.003%
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	0.005%

(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 Scheme.

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 1.1.2013	Granted during the 6 months ended 30.6.2013	Lapsed / cancelled during the 6 months ended 30.6.2013	Exercised during the 6 months ended 30.6.2013	Balance as at 30.6.2013	Approximate percentage to the issued share capital
Kwok Man Leung	19.11.2009	19.11.2009 – 18.11.2014	22.00	500,000	–	–	–	500,000	0.014%
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 of DCH.

Save as disclosed above, as at 30 June 2013, 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 to the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2013, 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)	56.11% (L)
CITIC Limited	1,027,307,000 (L)	56.11% (L)
CITIC Pacific Limited	1,018,800,000 (L)	55.64% (L)
Davenmore Limited	1,018,800,000 (L)	55.64% (L)
Colton Pacific Limited	800,922,200 (L)	43.74% (L)
Chadacre Developments Limited	245,102,000 (L)	13.39% (L)
Ascari Holdings Ltd.	217,877,800 (L)	11.90% (L)
Cornaldi Enterprises Limited	95,317,400 (L)	5.21% (L)
JPMorgan Chase & Co.	147,192,587 (L) 113,994,600 (P)	8.04% (L) 6.23% (P)
Schroders Plc	146,503,000 (L)	8.00% (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.

Statutory Disclosure

SHARE CAPITAL

DCH has not redeemed any of its shares during the six months ended 30 June 2013.

Neither DCH nor any of its subsidiaries has purchased or sold any of DCH's shares during the six months ended 30 June 2013.

UPDATE ON DIRECTORS' INFORMATION

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

Mr. Hui Ying Bun, a non-executive Director, has been appointed as an independent non-executive director of Telecom Service One Holdings Limited which was listed on the Stock Exchange on 30 May 2013.

Mr. Fei Yiping, a non-executive Director, has been appointed as a director of Companhia de Telecomunicações de Macau, S.A.R.L. with effect from 20 June 2013.

Mr. Chan Kay Cheung, an independent non-executive Director, has been appointed as a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Board with effect from 1 July 2013.

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

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

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

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

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

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

Corporate Information

Headquarters and Registered Office

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

Website

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

Stock Codes

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

Share Registrar

Shareholders should contact our Share Registrar on matters such as transfer of shares, change of name or address, or loss of share certificates:
Tricor Investor Services Limited
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:	4 September 2013 to 6 September 2013
Interim Dividend payable:	18 September 2013

Interim Report 2013

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

Shareholders may choose to rely on the Interim Report posted on the 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.

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