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

Stock Code: 01828

VITALITY AND PROFESSIONALISM
OUR CHINA MOMENTUM

Dah Chong Hong Holdings Limited ("DCH" or "the Group") is a business conglomerate with strong foothold in the consumer market in the Greater China, Singapore and Japan. It has a diversified business portfolio with core businesses in Motor and Motor Related Business, as well as Food and Consumer Products Business which are supported by our logistics services. The Greater China market will continue to be the focus of the Group's expansion. We will capitalise on our solid foundations and extensive distribution networks to sustain our business growth, generating remarkable contributions to the Group and our shareholders.

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FINANCIAL HIGHLIGHTS

HK$ million	Six months ended 30 June 2014	2013
Turnover	**22,094**	18,935
Profit from operations	**755**	637
Profit attributable to shareholders	**430**	401
Segment profit after taxation		
Motor and Motor Related Business	**544**	428
Food and Consumer Products Business	**115**	85
Other Business	**30**	30

HK$ million	**30 June 2014**	31 December 2013
Total debt	**7,382**	7,424
Cash and bank deposits	**1,405**	2,173
Net debt	**5,977**	5,251
Shareholders' funds	**9,170**	8,994
Total capital	**15,147**	14,245
Capital employed	**16,552**	16,418
Net gearing ratio	**39.5%**	36.9%

HK cents	Six months ended 30 June 2014	2013
Basic earnings per share	**23.47**	21.91
Diluted earnings per share	**23.47**	21.86
Interim dividend per share	**9.30**	8.68

CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear Shareholders,

Dah Chong Hong Holdings Limited achieved a 16.7% increase in turnover to HK$22,094 million in the first half of 2014, compared with HK$18,935 million in the same period last year. Profit attributable to shareholders increased by 7.2% to HK$430 million after including some exceptional items. Basic earnings per share were up 7.1% to 23.47 HK cents. The board of directors of DCH has declared an interim dividend of 9.30 HK cents per share for the first half of 2014, compared with 8.68 HK cents per share for the corresponding period in 2013.

MOTOR AND MOTOR RELATED BUSINESS

Dealership Network Expansion

In mainland China, DCH out-performed the market with a robust growth in unit sales during the first six months of 2014, driven by an increase in passenger car sales with an expanded dealership network. However, the profitability of our motor business was affected by thin margins of new car sales and the costs associated with the establishment of new 4S shops.

The motor market in China is recognised as one of the largest in the world. DCH will continue expanding its network to capture the enormous business opportunities in this market. In light of the high initial costs involved in the development of greenfield shops, we have adjusted our network expansion strategy in order to protect the return from the dealership business. We will continue to collaborate with our strategic car manufacturer partners for greenfield expansion to set up shops with better economic values in their dealership networks. Apart from greenfield development, we are also actively searching for M&A targets that can match our business goals.

Enhancement of Profitability in China

DCH continues to look for business opportunities to increase our after-sales service revenue, so as to improve the profitability of our motor business in China. We have also been focusing on enhancing the contribution from our motor related business such as commission income from auto insurance and auto finance as well as expanding our car rental services network to the second and third tier cities, including Kunming and Ningbo.

Steady Growth of Motor Business in Hong Kong

The motor market in Hong Kong maintained steady growth in the first half of 2014 as the demand for commercial vehicles was persistently strong under the ex-gratia payment scheme granted by the HKSAR Government. The trend is expected to continue in the next few years. DCH is well positioned to capture this opportunity as we have been working closely with principals and body builders to ensure smooth supply of commercial vehicles in the Hong Kong market. As such, we believe the good performance in this segment can be maintained.

Development of Environment-friendly Motor Business

Doing business in an environment-friendly manner has always been one of our top priorities. Therefore, we have been introducing various emission testing equipment and supplying catalytic converters to reduce the emission of harmful gases from vehicles. We are also the first to supply electric buses in Hong Kong.

Capturing the Flourishing Commercial Vehicle Business in Other Markets

Our success in developing the *Isuzu* business in the Greater China and Singapore markets has demonstrated DCH's solid capability in the sale and distribution of commercial vehicles. In this respect, DCH will ally with *Isuzu* to explore the business opportunities in Myanmar and other Indochina markets. It will offer good potential for the Group, not only in the motor business but also in food and consumer products business.

FOOD AND CONSUMER PRODUCTS BUSINESS

Our food and consumer products business recorded healthy sales growth in the first half of 2014, attributable to the impressive performance of our commodity and FMCG businesses in both Hong Kong and mainland China.

Our Brand Strategies – Continuous Expansion of FMCG Brand Portfolio and House Brands

We have been actively pursuing new agencies for the distribution of premium imported and internationally renowned FMCG in the categories of dairy products, confectioneries, functional drinks and snacks from Europe and the US. In addition, we have further strengthened our sourcing capability in the Asian region by acquiring the distributorship of a wide range of Japanese confectioneries and snack products in China in July 2014. We will continue to expand our product portfolio by focusing on new categories and securing product supply from more countries, including those in southern Europe.

Our house brands – *Cheer* and *Del Leche*, which offer a rich variety of dairy and snack products, have also experienced significant growth in both Hong Kong and mainland China. Leveraging our global sourcing capabilities and synergies with existing platforms, DCH will continue to invest more resources in developing the house brands in our food business portfolio for sustainable growth.

Our Regionalisation Strategies – Enhanced Value Chain Management

In mainland China, we will continue to roll out our Regionalisation Strategies – setting up new regional offices in major cities to expand our geographic coverage for direct distribution and to develop new sales channels, including convenience stores, mum and baby shops and food services channels. The primary goals are to enhance our sales growth and improve our profit margin through close communications with the principals, reduction of distribution and logistics costs, and better control of the value chain in the food distribution business. Although such measures have incurred start-up expenses, the Group remains optimistic about the healthy development of our food distribution business, which will see an improved profitability in the long term.

Our Logistics Strategies – Well Established Cold Chain Logistics Network

The demand for cold chain logistics services in China has been mounting as food safety becomes a major concern of both the government and consumers. With our solid cold chain operations in Hong Kong and China, we will further expand our cold chain logistics network in major Chinese cities in line with the expansion of our regional sales offices. Furthermore, we are also planning to set up a new logistics and food processing center in the Hengqin Special Region in Zhuhai to serve the strong demand in Macao.

NEW BUSINESS DEVELOPMENT

Capturing the Booming e-Shopping Market

In recent years, e-shopping has become a fast growing business, with large e-commerce operators emerging with dominating success in China. Riding on our strong capabilities in sourcing for overseas premium products, credibility in supplying genuine items, as well as our quality customer service and highly respected business reputation in Hong Kong, we will further expand our business footprint into the e-shopping market through our newly established e-shopping platform *DCHnYOU 大昌優品* (www.dchnu.com). We target to seize this new emerging market by selling direct-imported-quality products, including food, electrical appliances, motor related products and other trendy, popular and luxury items from overseas, through the newly established legitimate channels in the Shanghai Free Trade Zone in China. Coupled with the competitive edge offered by our cost-effective logistics solution, we are looking forward to a prosperous future in this business segment.

DCH Marine Cruising the Pleasure Boat Market

Currently, there are about 100 marina clubs under development in China along the coastal cities. Boat shows, especially the ones held at Hainan, Qingdao and Shanghai, are well attended by power and sailing boat manufacturers worldwide. As such, DCH foresees an increasing demand for pleasure boats for both business and leisure uses in China. With a pool of prestigious car owners with whom DCH has established a close relationship over the years through our luxury car dealerships, we are poised to capitalise on this rising business opportunity in China's yacht market. As the first strategic move, we have commenced the distribution of *Princess* motor yachts imported from the United Kingdom to pave the way for this future booming segment.

SUSTAINING THE GROWTH MOMENTUM WITH TALENTED PROFESSIONALS

The success of DCH is attributable to our team of experienced and dedicated staff. To sustain our growth momentum, we have strengthened our human resources management with comprehensive recruitment, training, advancement and incentive programmes. We believe a strong base of professionals is crucial for us to maintain the stable and remarkable growth of our business. We also strive to keep a good supply of young talents through the expansion of our management trainee programmes in Greater China. Our strong team of talented and dedicated professionals is the Group's precious asset and the key to bring DCH up to the next level in the coming years.

SOLID FINANCIAL POSITION

The Group has successfully implemented cash pooling in our China operation to improve the efficiency of cash management and the cash balance has been reduced as planned. Due to the high auto inventory level needed to cater for our business requirement, our net gearing ratio has increased to 39.5% compared with 36.9% by the end of 2013. Looking forward to the second half of 2014, we expect the cashflow generated from our operations will well support our capital expenditures, new investments, and working capital requirements. With our solid financial strength, we maintain a stable dividend policy and are well positioned to seize strategically aligned business opportunities in the market.

CONCLUSION

DCH has proven itself to be a successful Hong Kong-based enterprise in the past 65 years. Given the strategic direction under our five-year plan and the business potential arising from our close relationship with the CITIC Group, I am confident that DCH can achieve sustainable business growth and will become one of the leading conglomerates in the consumer market of Greater China.

On behalf of the Board, I would like to express my gratitude to our team of talented and loyal employees for their contributions to the Group's success. I would also like to thank our Board members for their guidance and our investors for their trust.

We will continue to devote our efforts to sustaining the long term growth of DCH as a profitable enterprise for the benefit of our shareholders.

Zhang Jijing
Chairman

Hong Kong, 14 August 2014

BUSINESS REVIEW AND OUTLOOK

OPERATING RESULTS

For the first six months of 2014, turnover of the Group was HK$22,094 million, a rise of 16.7% against the same period last year. Profit attributable to shareholders was HK$430 million, an increase of 7.2% after including some exceptional items. The adjusted net profit for the period, after excluding the net gain on remeasurement of investment properties and other non-operating items, amounted to HK$426 million, a rise of 7.3% compared with the same period last year.

MOTOR AND MOTOR RELATED BUSINESS

- Segment turnover of the Motor and Motor Related Business in the first half of 2014 was HK$17,235 million, an increase of 18.2%.
- Segment result from operations was HK$646 million, an increase of 13.9%.
- Segment margin was 3.7%, a decrease of 0.2-percentage-point.

Mainland China

- Segment turnover in the first half of 2014 was HK$13,252 million, an increase of 24.7%.
- Segment result from operations was HK$262 million, almost the same as last year.
- Segment margin was 2.0%, a decrease of 0.5-percentage-point.
- Overall PRC motor market: 11.7 million units sold, expanded by 8.4%.
  - Passenger car market: 9.6 million units sold, increased by 11.2%.
  - Commercial vehicle market: 2.1 million units sold, decreased by 3.2%.
- DCH unit sales: around 44,000 units, achieved above-market unit sales growth of 19.5%.
  - Passenger car unit sales: around 40,500 units, increased by 21.7%.
  - Commercial vehicle unit sales: around 3,500 units, slightly declined by 0.9%.
- DCH has out-performed the market with a robust growth in unit sales during the first six months of 2014, driven by an increase in passenger car sales with an expanded dealership network. The unit sales growth of our domestic commercial vehicles was above the commercial vehicle market; however, the sluggish imported commercial vehicle business affected our commercial vehicle unit sales growth as a whole.
- Dealership business recorded a year-on-year turnover growth of 25.8%. Improvement was also seen in other income, such as commission income from auto insurance and auto finance. The newly established national insurance agency company should further enhance the commission income from auto insurance which will improve dealership profitability.
- For the same store performance, DCH achieved a 12.7% year-on-year growth on new car unit sales while the service volume remained steady. It is noteworthy that the mature shops suffered from lower number of incoming cars whilst that of new shops continued to grow.
- The performance of our dealership business was affected by the initial costs in the new greenfield shops opened in the last two years. Because of this, a new strategy of dealership network expansion will be implemented including collaboration with strategic car manufacturer partners in setting up shops with better economic values in their networks and more M&A targets that can match our business goals.

- As of today, the number of 4S shops is 79 with the addition of four new greenfield shops and one through M&A; and the number of showrooms is 14 with three opened during the period.

- 12 greenfield projects are in the pipeline, including eight 4S shops and four showrooms.

- To optimise and capture the business opportunities available in motor dealership, the Group will expand the car rental business to Kunming and Ningbo in the second half of 2014.

- Sales of the lubrication oil blending business doubled in the first half of the year as the market of the mid-to-high-end products increased significantly. DCH has been benefited from the increase as we are one of the major suppliers of high-end products to top car manufacturers.

Hong Kong and Macao

- Segment turnover in the first half of 2014 was HK$3,086 million, an increase of 6.3%.

- Segment result from operations was HK$311 million, an increase of 25.9%.

- Segment margin was 10.1%, an increase of 1.6-percentage-point.

- Overall Hong Kong motor market: around 26,500 units sold, expanded by 10.4%.

  – Passenger car market: around 18,900 units sold, increased by 5.3%.

  – Commercial vehicle market: around 7,600 units sold, increased by 25.4%.

- DCH unit sales: around 6,800 units, increased by 8.0%.

  – Passenger car unit sales: around 4,800 units, increased by 4.2%.

  – Commercial vehicle unit sales: around 2,000 units, increased by 18.3%.

- The Hong Kong motor vehicle market growth was mainly driven by the commercial vehicle market with the replacement demand stimulated by the HKSAR Government's HK$11.4 billion ex-gratia payment scheme.

- DCH's Hong Kong market share was marginally reduced by 0.3-percentage-point to 21.7% compared to the same period last year.

- A new commercial vehicle service center will commence operations in the second half of this year to accommodate the anticipated future increase in demand for after-sales service.

- DCH has maintained its market leading position in electric bus market for both public and private sectors in Hong Kong.

- The testing scale of the pilot programme of retrofitting the selective catalytic reduction device to franchised bus companies has been extended. The Group will work closely with franchised bus companies and the HKSAR Government on the pilot programme which was scheduled to be fully launched in 2015.

Other Markets

- Segment turnover in the first half of 2014 was HK$897 million, a decrease of 14.5% mainly attributable to the discontinuation of the dealership business in Canada.
- Segment result from operations was HK$73 million, an increase of 28.1%.
- Segment margin was 8.1%, an increase of 2.7-percentage-point.
- Taiwan
  - The *Isuzu* distributorship business has performed well with unit sales recording a strong growth of 75.3% in the first half of 2014 and its market share in the Japanese commercial vehicle market was 13.5%, increased by 3.2-percentage-point from 2013.
  - The semi-knock down assembly plant in Taichung is expected to start operation at the end of 2014.
  - The *Audi* dealership business recorded a 21.4% growth in unit sales during the period but the margin on new car sales was low due to keen competition.
- Singapore and Indochina
  - Unit sales in Singapore eased by 28.1% in the first half of 2014 as compared with the same period last year when it was boosted by a large tender business. However, as there will be increasing demand triggered by infrastructure projects and the Government's environmental policy of encouraging the replacement of aged diesel vehicles, the business is expected to pick up in the second half of the year.
  - Riding on our good track records and the solid establishment of *Isuzu* business in the Greater China and Singapore markets, *Isuzu* and DCH will explore the business opportunities in Myanmar and other Indochina markets.

FOOD AND CONSUMER PRODUCTS BUSINESS

- Segment turnover amounted to HK$4,844 million, an increase of 11.8%.
- Segment result from operations reached HK$141 million with a 28.2% growth against last year.
- Segment margin improved to 2.9%, representing an increase of 0.4-percentage-point.

Mainland China

- Segment turnover reached HK$1,962 million with a 22.0% growth against last year.
- Segment result from operations decreased to HK$12 million, a 40.0% drop versus last year mainly due to the development cost of regional sales offices and the sluggish gift market affecting the overall gross margins of our confectionery and electronic consumer products in China.
- Segment margin was 0.6%, representing a 0.6-percentage-point drop versus last year.

Food Business

A. *FMCG*

- The business showed a robust performance with 30.8% sales increase compared to last year, mainly attributable to strong brand strategies for dairy products, snacks, confectioneries and beverages, as well as the expansion of our regional sales platforms and market coverage.

- Dairy products: turnover grew by 56.3% mainly due to prominent contributions from Infant Milk Formula and liquid milk products.

- Snacks: turnover increased by 33.2% as supported by favourable sales of newly acquired brands for biscuits and chips products.

- Confectionery: turnover recorded an improvement of 26.7% as supported by strong sales of chocolate items for day-to-day consumption.

- Beverages: turnover surged by 19.2% with good contribution from functional drinks.

- For our house brand *Del Leche* dairy products, the liquid milk further penetrated into China with distribution expansion in both retail and food service channels, especially in southern China.

- In July 2014, the Group expanded its product portfolio by acquiring the distributorship of a wide range of premium imported Japanese confectioneries and snack products in China.

B. *Food Trading*

- Sales declined by 7.9% and we have adjusted our product portfolio and bolstered our key account management, especially for the food services segment which has experienced a marked sales growth of frozen vegetables and grocery products.

- In order to allow flexibility to both joint venture ("JV") partners in the development of the China market, DCH has discontinued the JV with BRF S.A.. However, both parties continued to maintain business cooperation on a non-exclusive basis.

C. *Food Manufacturing*

- Both the manufacturing business – *Pocari Sweat* (JV with Otsuka Pharmaceutical) and *CJ Dumplings* (JV with South Korea's CJ CheilJedang Corporation) continued to achieve strong sales growth in the first half of the year. DCH will focus on developing and expanding its sales and distribution network in the region.

Hong Kong and Macao

- Segment turnover reached HK$2,555 million, representing a 8.6% increase versus last year.
- Segment result from operations was HK$128 million, showing an improvement of 6.7% against last year, whereas segment margin was 5.0%, similar to that of last year.

Food Business

A. *FMCG*

- Turnover of our FMCG business in Hong Kong surpassed that of last year with a 24.6% growth.
- Healthcare food products: turnover more than doubled with additional sales channels secured.
- Dairy products: turnover significantly increased by 73.8% mainly attributable to the strong growth drivers of new agencies secured last year including Maternal Milk Powder and Infant Milk Formula.
- Our house brand, *Cheer*, has also experienced outstanding sales growth of 71.8% of which there was a significant improvement in sales momentum for dairy products.
- Beverages: turnover recorded a modest increment of 4.1% which was contributed by the sales growth of functional drinks.
- Confectionery: turnover remained stable compared to the same period last year despite the keen market competition.

B. *Food Trading*

- Despite the volatile commodity market and prices, the Group still maintained a moderate growth in both turnover and gross margin in the business.
- Quality imported meat and seafood were also introduced to the market to capture the rising demand for quality food products. The feedback from the market was positive and encouraging.

C. *Food Manufacturing*

- Turnover of the food processing business improved by 12.7%. In order to maintain its leading position in the market and to enhance the production capacity and efficiency, we plan to further expand our Yuen Long food processing facility and to consolidate various operating units.
- Our coffee and tea manufacturing business also achieved an encouraging growth of 11.6% over last year driven by the increased sales of coffee and related grocery products. These products have successfully penetrated into food service customers as a result of our intensified sales efforts.

D. *Retail*

- The turnover in the retail unit recorded a slight growth compared to last year and the total number of shops maintained at 91 as at 30 June 2014. Sales per ticket recorded a slight growth of 0.9% versus last year, while the same store sales dropped by 2.3% due to the keen market competition.
- The segment result was adversely affected by the high rental cost and labour shortage in Hong Kong. Apart from the existing *DCH Food Mart* and *DCH Food Mart Deluxe* retail chains, we will explore the feasibility to launch a new series of premium gourmet shops which offer European dominated specialty and fine food and target to capture the new customer group who pursues a healthy and contemporary lifestyle.

Consumer Products Business

- Sales dropped by 31.9% mainly affected by the decline of sales in trendy electronic headphones products in both the Hong Kong and China markets. The replacement demand for household electrical appliances also weakened as a result of the stagnant second-hand property market in Hong Kong in the first few months of 2014.

- Apart from the internationally renowned household electrical appliances, audio and accessories products, we continue to enrich the product range and add new brands to the portfolio. Currently we have included a new brand of household healthcare appliances to capture the rising demand in this segment.

- The new showroom for *AEG*, a premium line of built-in electrical appliances under the Electrolux Group, was opened in Hong Kong in March 2014 which focused on the premium market segment and tendering business.

- The pace of setting up the retail chain of *DCH AV Shops* and *DCH Digi Shops* is being reviewed in light of the market slowdown in China.

Logistics Business

- The logistics business achieved a growth of 19.8% in turnover as a result of our expansion of repacking, forwarding and importation businesses in both Hong Kong and China. In addition, the cold chain logistics operation in Guangzhou and the Hongqiao repacking center in Shanghai, both commencing operations last year, have provided a good sales contribution to the business.

- Leveraging the growing demand for cold chain logistics services in China and our solid presence in Hong Kong, Shanghai, Xinhui and Guangzhou, we are expanding our cold chain logistics network across China. We are commencing the operation of a multi-temperature distribution center in Kunming in July 2014 to widen our service coverage to western China. Besides, another multi-temperature distribution center is currently under construction in Xiamen and we expect to commence operation in the third quarter of 2014. We will continue to seek for further opportunities in other cities such as Chengdu and Wuhan through collaborative partnership with major market players.

Electrical Appliances Manufacturing

- As the costs of the manufacturing business in the Pearl River Delta region are rising, we have substantially downsized the electrical appliances manufacturing operation in Shunde, Guangdong Province. The related wind down costs were HK$24 million. Meanwhile, we will explore other business opportunities to utilise the existing facilities.

E-BUSINESS DEVELOPMENT

- Riding on our strong capabilities in sourcing for overseas premium products, credibility in supplying genuine items, as well as our quality customer service and highly respected business reputation in Hong Kong, we will further expand our business footprint into the e-shopping market through our newly established e-shopping platform *DCHnYOU 大昌優品* (www.dchnu.com).

- We target to seize this new emerging market by selling direct-imported-quality products, including food, electrical appliances, motor related products and other trendy, popular and luxury items from overseas, through the newly established legitimate channels in the Shanghai Free Trade Zone in China. Coupled with the competitive edge offered by our cost-effective logistics solution, we are looking forward to a prosperous future in this business segment.

PLEASURE BOAT BUSINESS

- Foreseeing an increasing demand for pleasure boats for both business and leisure uses in China, and leveraging the pool of prestigious car owners with whom we have established a close relationship over the years through our luxury car dealerships, we are poised to capitalise on this rising business opportunity in China's yacht market.

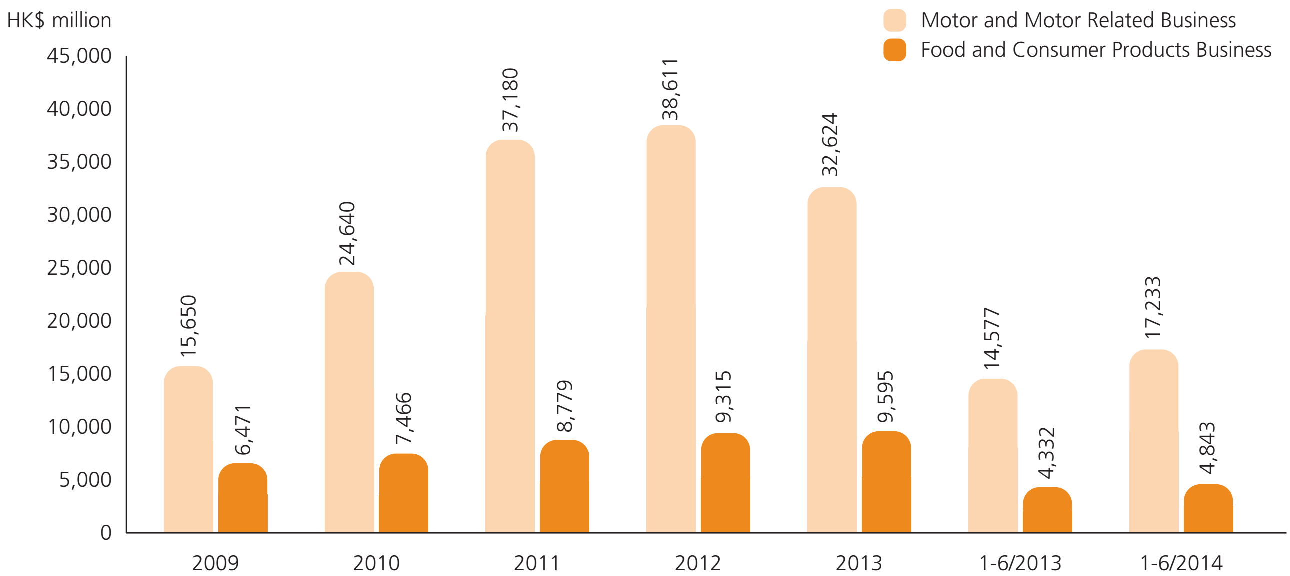
- As the first strategic move, we have commenced the distribution of *Princess* motor yachts imported from the United Kingdom to pave the way for this future booming segment.

INTRODUCTION

The Group's 2014 Interim Report includes the Chairman's letter to shareholders, the condensed consolidated interim financial statements and other information required by accounting standards, legislation, and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. This Financial Review is designed to assist the reader in understanding the Group's financial information by discussing the contribution of each business segment and the financial position of the Group as a whole.

TURNOVER

Turnover from External Customers



Turnover for the first six months of 2014 was HK$22,094 million, increased by 16.7% compared with HK$18,935 million for the same period of 2013.

- **Motor and Motor Related Business**

  Turnover of Motor and Motor Related Business Segment increased by 18.2%. Turnover of the PRC segment increased by 24.7% mainly driven by increase in passenger car sales brought by an expansion in dealership network. Turnover of Hong Kong and Macao segment grew by 6.3% as a result of strong replacement demand of commercial vehicles under the HK$11.4 billion ex-gratia payment scheme from HKSAR Government, plus a steady growth of passenger cars sales. Turnover of other markets segment decreased by 14.5% mainly due to discontinuation of the dealership business in Canada since June 2013.

- **Food and Consumer Products Business**

  Turnover of Food and Consumer Products Business Segment increased by 11.8%. Turnover of the PRC segment grew by 22.0% mainly contributed by increase in FMCG distribution business with the increase in brand portfolio, expansion of our regional sales platforms, increase in geographic coverage to more PRC cities and expansion of sales channels. Turnover of Hong Kong and Macao segment grew steadily by 8.6%. Turnover of other markets segment dropped by 12.3% with the scaling down of the electrical appliances manufacturing operation during the period.

SEGMENT PROFIT AFTER TAXATION

Segment profit after taxation for the first six months of 2014 was HK$689 million, increased by 26.9% compared with the same period of 2013.

- **Motor and Motor Related Business**

  Segment profit after taxation increased by 27.1% to HK$544 million (1-6/2013: HK$428 million). This was mainly attributable to the 26.4% growth in segment profit after taxation in Hong Kong and Macao to HK$268 million (1-6/2013: HK$212 million) with the increase in sales of commercial vehicles, and the favourable Japanese Yen exchange rates. The segment profit after taxation in mainland China also increased by 27.5% to HK$218 million (1-6/2013: HK$171 million) which was in line with the increase in sales. Other markets contributed a segment profit after taxation of HK$58 million (1-6/2013: HK$45 million) mainly from encouraging growth in commercial vehicle business in Taiwan and Singapore, partly offset by discontinuation of the dealership business in Canada.

- **Food and Consumer Products Business**

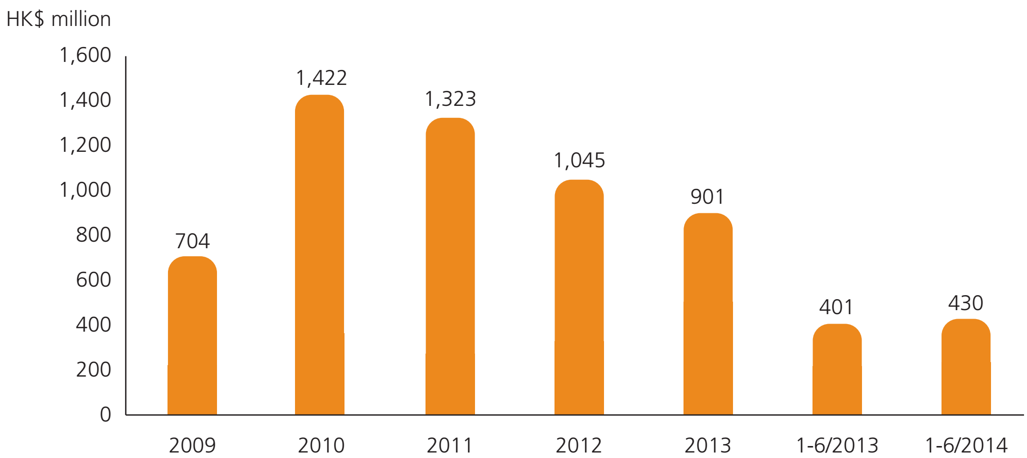
  Segment profit after taxation increased by 35.3% to HK$115 million (1-6/2013: HK$85 million). Segment profit after taxation in Hong Kong and Macao increased by 4.9% to HK$108 million (1-6/2013: HK$103 million). Segment profit after taxation in mainland China decreased by 50.0% to HK$8 million (1-6/2013: HK$16 million), mainly due to the development cost of regional sales offices and decrease in contribution from trendy electronic headphones products. For other markets, segment loss after taxation was significantly reduced to HK$1 million only (1-6/2013: HK$34 million loss) due to the scaling down of the electrical appliances manufacturing business in Shunde. The related wind down costs separately disclosed were HK$24 million.

Note: Segment profit after taxation represents profit after taxation from each reportable segment including share of profit after tax of associates and joint ventures. 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 2014 was HK$430 million, increased by 7.2% as compared with HK$401 million for the same period of 2013. The performance was affected by the wind down costs of manufacturing operation of HK$24 million and increase in finance costs of HK$24 million with the increase in bank borrowings.

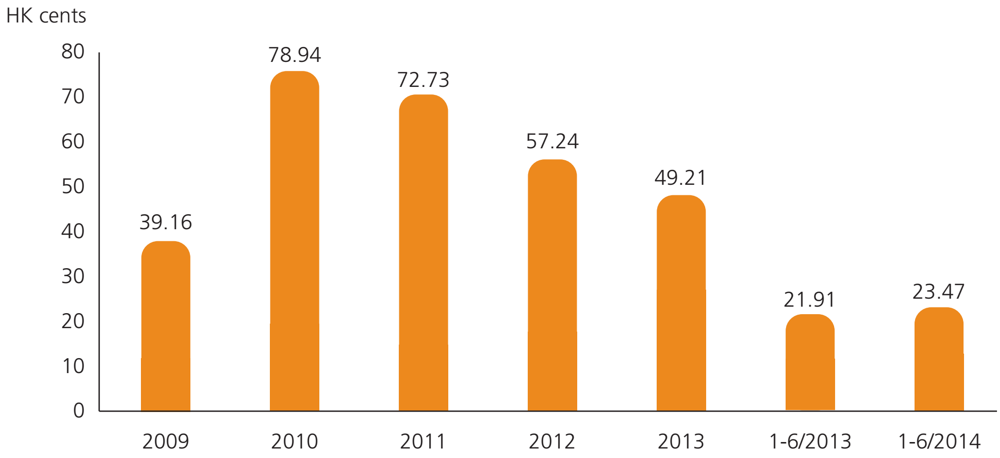
Profit Attributable to Shareholders



BASIC EARNINGS PER SHARE

Calculation of basic earnings per share for the six months ended 30 June 2014 was based on the profit attributable to shareholders of the Company and the weighted average number of 1,831,993,000 (2013: 1,830,612,890) ordinary shares in issue during the period. Basic earnings per share was 23.47 HK cents for the first half of 2014, an increase of 7.1% as compared with 21.91 HK cents for the same period of 2013.

Basic Earnings per Share



DIVIDEND PER SHARE

An interim dividend of 9.30 HK cents (2013: 8.68 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 2014 of HK$426 million (1-6/2013: HK$397 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 increased by 21.8% to HK$134 million (1-6/2013: HK$110 million) mainly due to increase in bank borrowings during the period to finance the increase in working capital.

INCOME TAX

Income tax decreased by 19.5% to HK$128 million (1-6/2013: HK$159 million). The effective tax rate for the period was 20.9% (1-6/2013: 28.7%) with the recognition of deferred tax assets of HK$27 million (1-6/2013: HK$7 million) on tax losses which would be utilised in the foreseeable future.

NET ASSET VALUE PER SHARE

Calculation of net asset value per share was based on the net asset value of the Group of HK$9,582 million (31 December 2013: HK$9,373 million) and the 1,831,993,000 ordinary shares issued at 30 June 2014 (31 December 2013: 1,831,993,000 ordinary shares). Net asset value per share at 30 June 2014 was HK$5.23 (31 December 2013: HK$5.12).

CAPITAL EXPENDITURE

During the first half year of 2014, the Group's total capital expenditure was HK$463 million (1-6/2013: HK$552 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 demo cars and leasing businesses in Hong Kong and mainland China
Food and Consumer Products Business	–	Fixtures and fittings, plant and equipment

HK$ million	**1-6/2014**	1-6/2013	Change
Motor and Motor Related Business	**413**	502	(89)
Food and Consumer Products Business	**40**	41	(1)
Other Business	**2**	2	–
Corporate Office	**8**	7	1
Total	**463**	552	(89)

CAPITAL COMMITMENTS

Please refer to note 20 to the condensed financial statements for details of capital commitments outstanding at 30 June 2014.

CONTINGENT LIABILITIES

Please refer to note 22 to the condensed financial statements for details of contingent liabilities at 30 June 2014.

PLEDGED ASSETS

At 30 June 2014, the Group's assets of HK$913 million (31 December 2013: HK$795 million) were pledged in relation to financing of issuance of bank acceptance drafts and purchase of vehicle stock in mainland China.

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. Cash pooling is applied in Hong Kong and mainland China for more efficient utilisation of cash.

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

Foreign Currency Exposure

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

The Group enters into foreign currency forward contracts primarily for hedging its sales and purchases that are denominated in currencies other than the functional currency of the operations to which they related. At 30 June 2014, the Group recognised foreign currency forward contracts with a fair value of HK$0.1 million assets (31 December 2013: HK$2 million liabilities) as derivative financial instruments.

Interest Rate Exposure

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

In the first half of 2014, the Group had entered into a number of interest rate swaps with a total notional contract amount of HK$500 million to reduce the impact of interest rate fluctuation on its unsecured bank borrowings. These interest rate swaps will be expired in 2016 and 2017.

At 30 June 2014, together with the interest rate swaps entered in 2012 and 2013, the Group had total outstanding interest rate swaps with a total notional contract amount of HK$1,900 million.

At 30 June 2014, the Group had a AUD / USD cross currency swap with a notional contract amount of AUD30 million to hedge the interest rate and foreign currency exposure of an unsecured bank borrowing which is denominated in Australian Dollars. The cross currency swap will mature in 2015 matching with the maturity and the currency of the underlying bank borrowing.

At 30 June 2014, the Group recognised interest rate swaps and the cross currency swap with a fair value of HK$5 million liabilities (31 December 2013: HK$2 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	1-6/2014	1-6/2013	Change
Operating profit before changes in working capital	**1,021**	882	139
Increase in working capital	**(1,100)**	(306)	(794)
Cash (used in) / generated from operations	**(79)**	576	(655)
Income tax paid	**(61)**	(201)	140
Net cash (used in) / generated from operating activities	**(140)**	375	(515)
Net cash used in investing activities	**(179)**	(445)	266
Dividends paid to shareholders of the Company	**(196)**	(162)	(34)
Net cash used in other financing activities	**(226)**	(519)	293
Net decrease in cash and cash equivalents	**(741)**	(751)	10

Operating profit before changes in working capital

Profit before taxation was HK$612 million for the six months ended 30 June 2014 (1-6/2013: HK$554 million). After adding back the non-cash items like depreciation and amortisation and impairment losses, and excluding the non-cash exceptional items like net gain on remeasurement of investment properties and foreign exchange gain / loss, operating profit before changes in working capital was HK$1,021 million (1-6/2013: HK$882 million).

Increase in working capital

For the six months ended 30 June 2014, working capital increased by HK$1,100 million which included the increase in inventories of HK$1,681 million mainly for passenger and commercial vehicles in both Hong Kong and the PRC to cater for the business requirement; the decrease in trade and other payables of HK$24 million, offset by the decrease in trade and other receivables of HK$605 million.

For the six months ended 30 June 2013, working capital increased by HK$306 million which included the increase in inventories of HK$99 million; the increase in trade and other receivables of HK$151 million; and the decrease in trade and other payables of HK$56 million.

Net cash (used in) / generated from operating activities

For the six months ended 30 June 2014, cash used in operations, after taking into account the increase in working capital, was HK$79 million. Together with the tax paid of HK$61 million, net cash used in operating activities was HK$140 million.

For the six months ended 30 June 2013, cash generated from operations, after taking into account the increase in working capital, was HK$576 million. After netting off the tax paid of HK$201 million mainly due to higher taxable profit in mainland China and Japan in 2012, net cash generated from operating activities was HK$375 million.

Net cash used in investing activities

For the six months ended 30 June 2014, payment for purchase of fixed assets and lease prepayments were HK$483 million. After netting off the net proceeds from disposal of fixed assets and assets held for sale of HK$253 million and net cash generated from other investing activities (mainly dividend received and interest income) of HK$51 million, net cash used in investing activities was HK$179 million.

For the six months ended 30 June 2013, payment for purchase of fixed assets were HK$551 million and net cash outflow for acquisitions of subsidiaries was HK$215 million, after netting off the net proceeds from disposal of fixed assets of HK$138 million and net cash inflow from other investing activities of HK$183 million (mainly repayment of advance from joint venture company and interest income), net cash used in investing activities was HK$445 million.

Net cash used in financing activities

For the six months ended 30 June 2014, net cash used in financing activities was HK$422 million. This was mainly due to the net repayment of bank loans and other loans of HK$20 million, net cash outflow to holders of non-controlling interests of HK$76 million, interest paid of HK$130 million and dividends paid to shareholders of the Company of HK$196 million.

For the six months ended 30 June 2013, net cash used in financing activities was HK$681 million. This was mainly due to the net repayment of bank loans and other loans of HK$437 million, interest paid of HK$110 million and dividends paid to shareholders of the Company of HK$162 million, offset by proceeds from shares issued under share option schemes of HK$6 million and net cash inflow from holders of non-controlling interests of HK$22 million.

GROUP DEBT AND LIQUIDITY

The financial position of the Group at 30 June 2014 is summarised as follows:

HK$ million	**30 June 2014**	31 December 2013	Change
Total debt	**7,382**	7,424	(42)
Cash and bank deposits	**1,405**	2,173	(768)
Net debt	**5,977**	5,251	726

The original denomination of the Group's borrowings as well as cash and bank deposits by currency at 30 June 2014 is summarised as follows:

HK$ million equivalent	HKD	RMB	JPY	USD	CAD	SGD	NTD	AUD	Others	**Total**
Total debt	3,980	1,982	149	655	51	57	237	242	29	**7,382**
Cash and bank deposits	154	1,034	55	93	5	22	21	–	21	**1,405**
Net debt	3,826	948	94	562	46	35	216	242	8	**5,977**

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 2014, the Group's net gearing ratio was 39.5%, compared to 36.9% at 31 December 2013.

HK$ million	**30 June 2014**	31 December 2013	Change
Net debt	**5,977**	5,251	726
Shareholders' funds	**9,170**	8,994	176
Total capital	**15,147**	14,245	902
Net gearing ratio	**39.5%**	36.9%	2.6%

Net debt increased in the first six months of 2014 mainly to finance the capital expenditures and increase in working capital.

The effective interest rate of the Group's borrowings at 30 June 2014 was 3.3% (31 December 2013: 3.8%) with the increase in HKD bank borrowings which carries a lower interest rate versus RMB bank borrowings.

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 2014, the borrowings were repayable as follows:

	HK$ million	% of total
Within 1 year or on demand	**4,577**	62%
After 1 year but within 2 years	**1,289**	17%
After 2 years but within 5 years	**1,516**	21%
Total	**7,382**	100%

Available Sources of Financing

In addition to cash and bank deposits of HK$1,405 million at 30 June 2014 (31 December 2013: HK$2,173 million), the Group had undrawn available loan facilities of HK$8,073 million (31 December 2013: HK$7,591 million), of which HK$500 million (31 December 2013: HK$674 million) was committed term loans and HK$7,573 million (31 December 2013: HK$6,917 million) was uncommitted money market lines. The Group also had available trade facilities amounting to HK$4,563 million (31 December 2013: HK$4,450 million). Borrowings by sources of financing at 30 June 2014 are summarised as follows:

HK$ million	Total	Utilised	Available
Committed facilities:			
Term loans and revolving loans	**4,627**	4,127	500
Uncommitted facilities:			
Money market lines	**10,651**	3,078	7,573
Trading facilities	**6,363**	1,800	4,563

These could be reconciled to the total debt at 30 June 2014 as follows:

HK$ million	30 June 2014	31 December 2013	Change
Utilised term loans and revolving loans	**4,127**	3,553	574
Utilised money market lines	**3,078**	3,719	(641)
Discounted bills and trade loans	**187**	152	35
Others	**(10)**	–	(10)
Total	**7,382**	7,424	(42)

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 2014, the Group had complied with all of the above financial covenants.

WORK PLACE QUALITY

As at 30 June 2014, the Group had a total of 16,183 employees, with 11,712 in mainland China, 3,958 in Hong Kong and Macao, and 513 in other locations: Japan, Taiwan and Singapore.

Location	**2014 June**	2013 December	2013 June	June 2014 Vs December 2013	June 2014 Vs June 2013
Mainland China	**11,712**	11,957	11,454	-2.0%	2.3%
Hong Kong & Macao	**3,958**	3,993	3,699	-0.9%	7.0%
Other locations	**513**	504	500	1.8%	2.6%
Total	**16,183**	16,454	15,653	-1.6%	3.4%

The number of employees increased by 3.4% over June 2013 and decreased by 1.6% over December 2013.

The Group offers competitive compensation and benefits to attract, motivate and retain talents. Annual review of these programmes is conducted to maintain their market competitiveness; mid-year reviews are also implemented for selected functions and individuals in response to market and labour conditions. "Pay for performance" is the key principle adopted to link rewards to the achievement of key performance indicators in order to motivate employees to attain company goals and objectives.

Employee wellness also contributes to employee engagement. The Group continues its efforts in organising various social, recreational and health activities for employees and their family members to enrich their work and family lives. In Hong Kong, there were totally 422 employees and their family members participated in eight events for the first six months of 2014. The Group also introduced an Employee Assistance Programme in April 2014, aiming to provide employee counselling, critical incident management and work-life balance activities.

Impacted by the volatile and competitive labour market, the Group recorded a staff turnover rate of 12.6% in Hong Kong for the first six months of 2014 while the percentages for mainland China and other locations were 14.6% and 13.8% respectively. A higher rate of staff turnover was experienced among frontline sales personnel and technical employees.

Training and Development

DCH believes that comprehensive programmes of people development and staff retention are the keys to success. To support our business strategies and build a pool of competent and committed employees, we have launched a wide range of internal and external training programmes. For the first six months of 2014, more than 40,740 participants attended various training programmes, including leadership and management training, functional and technical training, and personal effectiveness training. In addition, we have arranged various experience-sharing sessions across different locations and business functions, which aimed at sharing their best practices and promoting synergies among different units. Furthermore, in order to ensure a continuous supply of new talents and nurture our young talents, we have organised several traineeship programmes, including management trainee, engineering trainee and apprenticeship programmes. In recognition of our efforts in people development, the Employees Retraining Board of the HKSAR Government has granted DCH the Manpower Developer Award for another two years to 2016.

Anti-corruption

The Group has been exerting constant effort to ensure that all employees are committed to the highest standards of business ethics and personal conduct. The Independent Commission Against Corruption has been invited to give talks to the employees on corruption prevention and the handling of different situations of business ethics. During the first six months of the year, one session was organised with 110 employees from different levels attended.

ENVIRONMENTAL PROTECTION

Emissions and Waste Reduction

Being a responsible operator in Hong Kong and mainland China, DCH is always conscious of the reduction of carbon footprint and waste production in our business operations. To advocate green driving, we have continued to introduce environment-friendly vehicles and promote emission-reduction devices which meet high emission standards. To further improve the air quality of our community, we have acquired more than 20 electric vehicles to replace petroleum-powered company cars in our daily operations.

As part of our long-term commitment to the sustainable development of the Group, we have joined the Low-carbon Office Operation Programme (LOOP) initiated by the World Wide Fund for Nature (WWF). We have set the carbon emission reduction target "1, 2 and 3" since 2011 with annual target of at least 1% reduction.

We have actively implemented eco-friendly policies to reduce waste generated from our business activities. For instance, our Motor Service Centre has been registered as a Chemical Waste Producer under the Waste Disposal (Chemical Waste) (General) Regulations. Under the regulation, the used materials have to be collected by registered waste collectors which are qualified by and under the inspection and supervision of the Environmental Protection Department of the HKSAR Government.

Use of Resources

The Group believes that business growth should not come at the expense of the environment. For the first six months of 2014, we have continued to encourage our employees to embrace the principles of "Reduce, Reuse, Recycle and Replace" in our daily operations. For instance, our internal newsletters, annual reports, interim reports and other materials have been printed on Forest Stewardship Council-certified (FSC) paper since 2011 to reduce the impact on the environment and community. DCH also actively encourages the recycling of materials in our operations, including paper, cans, plastic bottles, stationery and office equipment.

Energy saving measures have been promoted in our office areas in the ways of reducing office lighting during the lunch hour, adopting energy-saving lights and replacing manual air conditioning controls with intelligent digital thermostats. In order to promote the awareness of environmental protection among employees, the Group has continued to launch the "Energy Saving Campaign" in 2014. The electricity consumption of each team within different business units and departments will be assessed on a year-to-year basis to encourage energy saving.

Green Education

To instil a green lifestyle to our staff, we have established the DCH Green Committee to promote "Green Care" programmes and arrange a series of green educational activities. Our employees have actively participated in a variety of "Green Care" programmes, such as workshops, campaigns, outings and seminars. To support the United Nation's "World Environment Day" in June 2014, recyclable camphor deodorant sticks were given to our staff as environment-friendly gifts to enhance the key message of waste reduction, recycling and green living. Green concepts and tips are also instilled through the staff newsletter and the "Green Page" on the DCH intranet.

Awards and Recognition

Through our dedicated efforts in environmental protection, DCH has been awarded the "Class of Excellence" in "Energywi$e Label", "Wastewi$e Label" and "Carbon "Less" 3% Certificate" at the Hong Kong Awards for Environmental Excellence in 2014, as well as the "Gold Label" in the Low-carbon Office Operation Programme (LOOP) Labelling Scheme by WWF in 2014. The Group is honoured to be one of the "Pilot Companies" in the "Green Office Awards Labelling Scheme" by World Green Organisation. Moreover, DCH Logistics has won the "Best Green ICT Grand Award" and the "Gold Award" of the "Best Green ICT (Adoption – Large-scale Enterprises)", which was organised by the Communications Association of Hong Kong in 2014.

COMMUNITY

To live out the motto of the DCH Volunteer Team - "For a better living," voluntary activities have been organised regularly to serve the elderly, children and underprivileged. Our DCH Volunteer Team members, together with their families and friends, are actively engaged in community services, spreading their love and care and bringing better and happier lives to different groups in need. In addition to the voluntary activities in Hong Kong, our DCH Volunteer Team also extended our caring company culture to mainland China for the first time in 2014 to benefit more people in need.

Oxfam Rice Sale

The Oxfam Rice Programme is one of the annual highlights of the Group's corporate social responsibility (CSR) activities. We have developed a long-term partnership with Oxfam and have continued to serve as the official rice sponsor of the Oxfam Rice Sale for seven consecutive years. In May 2014, our volunteer teams actively participated and managed two rice stalls at MTR stations and organised rice sales at our DCH Building for staff to raise more funds. During the campaign, we also encouraged our staff to donate rice packs directly to the food bank. We received enthusiastic feedback from our employees, who donated around 1,000 packs of rice in total.

Our efforts were highly appreciated by Oxfam, and DCH was recognised as the "Third Fundraiser Among Co-organising Parties" and an "Outstanding Rice Sale Volunteer Team" in 2014.

Volunteer Teams Development

Our love and care also go beyond boundaries. At the beginning of 2014, our first volunteer team in China was established in our Yunnan office, followed by another volunteer team set up in our southern China office. During the first half of 2014, our Yunnan volunteer team commenced a large-scale donation campaign. More than 3,000 pieces of used clothes, books and toys from staff of Yunnan were donated and delivered to children living in remote villages in Yunnan. Moreover, our southern China volunteer team also organised a tree planting activity, not only for staff, but also for DCH Motor Club members. The activity successfully conveyed the message of environmental protection to around 1,000 participants, including members of the young generations. The establishment of these two volunteer teams has marked a major milestone in our volunteering development in China.

We highly value the development and growth of our volunteer team members. Training classes are regularly organised to upgrade our volunteers with relevant skillsets to be applied in future voluntary activities. For instance, we lined-up a teacher in Chinese handicrafts to teach our volunteers the art of Chinese paper cutting and Chinese knots. After the lessons, our volunteers prepared hand-made Chinese knot items as small gifts to the elderly during visits. Moving forward, the Group will continue dedicating more resources to develop our volunteer teams. With the solid support from our management, staff and customers, we foresee that there will be further expansion of the Group's CSR initiatives in the future.

CORPORATE GOVERNANCE

DCH is committed to maintaining high standards of corporate governance. The board of directors of DCH (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 41 to 56 of the Annual Report 2013 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 throughout the six months ended 30 June 2014.

The Audit Committee of the Board, consisting of four independent non-executive directors, has reviewed the Interim Report 2014 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 2014 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 2014 on page 40.

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 2014.

CONSOLIDATED INCOME STATEMENT

		Unaudited Six months ended 30 June	
HK$ million	Note	**2014**	2013
Turnover	2(a)	**22,094**	18,935
Cost of sales		**(19,435)**	(16,592)
Gross profit		**2,659**	2,343
Other income	3	**347**	305
Selling and distribution expenses		**(1,368)**	(1,201)
Administrative expenses		**(883)**	(810)
Profit from operations		**755**	637
Net gain on remeasurement of investment properties	10	**7**	13
Wind down costs of manufacturing operation	4	**(24)**	–
Finance costs	5(a)	**(134)**	(110)
Share of profit after tax of associates		**8**	5
Share of profit after tax of joint ventures		**–**	9
Profit before taxation	5	**612**	554
Income tax	6	**(128)**	(159)
Profit for the period		**484**	395
Attributable to:			
Shareholders of the Company		**430**	401
Non-controlling interests		**54**	(6)
		484	395
Basic earnings per share (HK cents)	8(a)	**23.47**	21.91
Diluted earnings per share (HK cents)	8(b)	**23.47**	21.86

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 June	
HK$ million	**2014**	2013
Profit for the period	**484**	395
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of entities outside Hong Kong:		
– subsidiaries	**(62)**	(32)
– associates and joint ventures	**(3)**	4
Item that will not be reclassified subsequently to profit or loss:		
Revaluation gain recognised upon transfer from property, plant and equipment to investment property	**–**	17
Other comprehensive income for the period, net of tax	**(65)**	(11)
Total comprehensive income for the period	**419**	384
Attributable to:		
Shareholders of the Company	**369**	385
Non-controlling interests	**50**	(1)
	419	384

CONSOLIDATED BALANCE SHEET

HK$ million	Note	Unaudited 30 June 2014	Audited 31 December 2013
Non-current assets			
Fixed assets			
– Property, plant and equipment	9	**3,782**	3,798
– Investment properties	10	**382**	366
		4,164	4,164
Lease prepayments	11	**554**	537
Intangible assets	12	**695**	720
Goodwill		**355**	356
Interests in associates		**296**	224
Interests in joint ventures		**416**	426
Available-for-sale investments		**8**	8
Deferred tax assets		**49**	30
		6,537	6,465
Current assets			
Inventories		**7,907**	6,259
Assets held for sale	13	**19**	162
Trade and other receivables	14	**5,799**	6,483
Current tax recoverable		**29**	84
Cash and bank deposits		**1,405**	2,173
		15,159	15,161
Current liabilities			
Borrowings	15	**4,577**	5,608
Trade and other payables	16	**4,340**	4,465
Current tax payable		**153**	121
		9,070	10,194
Net current assets		**6,089**	4,967
Total assets less current liabilities		**12,626**	11,432
Non-current liabilities			
Borrowings	15	**2,805**	1,816
Deferred tax liabilities		**239**	243
		3,044	2,059
Net assets		**9,582**	9,373
Capital and reserves			
Share capital	17(a)	**1,477**	275
Share premium	17(b)	**–**	1,202
Other reserves		**7,693**	7,517
Total equity attributable to shareholders of the Company		**9,170**	8,994
Non-controlling interests		**412**	379
Total equity		**9,582**	9,373

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

HK$ million **Unaudited** **Six months ended 30 June 2014**	Note	**Share capital** (17(a))	**Share premium** (17(b))	**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 2014		**275**	**1,202**	**(53)**	**143**	**79**	**(43)**	**47**	**876**	**19**	**6,449**	**8,994**	**379**	**9,373**
Profit for the period		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**430**	**430**	**54**	**484**
Other comprehensive income		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(61)**	**–**	**–**	**(61)**	**(4)**	**(65)**
Total comprehensive income for the period		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(61)**	**–**	**430**	**369**	**50**	**419**
Acquisition of non-controlling interests		**–**	**–**	**(8)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(8)**	**(11)**	**(19)**
Share-based payments	5(b), 18	**–**	**–**	**–**	**–**	**–**	**–**	**11**	**–**	**–**	**–**	**11**	**–**	**11**
Transition to no-par value	17	**1,202**	**(1,202)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Dividends	7(b)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(196)**	**(196)**	**(6)**	**(202)**
At 30 June 2014		**1,477**	**–**	**(61)**	**143**	**79**	**(43)**	**58**	**815**	**19**	**6,683**	**9,170**	**412**	**9,582**

HK$ million Unaudited Six months ended 30 June 2013	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 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		–	–	(19)	–	–	–	–	–	–	–	(19)	–	(19)
Non-controlling interests arising from acquisition of a subsidiary		–	–	–	–	–	–	–	–	–	–	–	12	12
Share-based payments	5(b)	–	–	–	–	–	–	13	–	–	–	13	–	13
Exercise of share options		–	7	–	–	–	–	(1)	–	–	–	6	–	6
Transfer to retained profits	17(c)	–	–	(97)	–	4	–	–	–	–	93	–	–	–
Dividends	7(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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

HK$ million	Unaudited Six months ended 30 June 2014	2013
Profit before taxation	**612**	554
Adjustment for non-cash items	**409**	328
Operating profit before changes in working capital	**1,021**	882
Changes in working capital		
– Increase in inventories	**(1,681)**	(99)
– Decrease / (increase) in trade and other receivables	**605**	(151)
– Decrease in trade and other payables	**(24)**	(56)
Cash (used in) / generated from operations	**(79)**	576
Income tax paid	**(61)**	(201)
Net cash (used in) / generated from operating activities	**(140)**	375
Net cash used in investing activities		
– Net cash outflow for acquisitions of subsidiaries	**–**	(215)
– Other investing activities	**(179)**	(230)
Net cash used in financing activities		
– Dividends paid to shareholders of the Company	**(196)**	(162)
– Interest paid	**(130)**	(110)
– Net repayment of bank borrowings and other loans	**(20)**	(437)
– Other financing activities	**(76)**	28
Net decrease in cash and cash equivalents	**(741)**	(751)
Cash and cash equivalents at 1 January	**1,907**	2,951
Effect of foreign exchange rates changes	**(13)**	(8)
Cash and cash equivalents at 30 June	**1,153**	2,192
Analysis of the balances of cash and cash equivalents		
Cash and bank deposits	**1,405**	2,465
Less:		
Pledged bank deposits (Note 15)	**(240)**	(238)
Bank overdrafts	**(12)**	(35)
	1,153	2,192

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 2013.

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 2013, 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

(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 2014	**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	3,084	13,252	897	17,233	2,555	1,961	327	4,843	18	–	22,094
Inter-segment turnover	2	–	–	2	–	1	–	1	49	(52)	–
Segment Turnover	3,086	13,252	897	17,235	2,555	1,962	327	4,844	67	(52)	22,094
Segment result from operations	311	262	73	646	128	12	1	141	34	–	821
Share of profit / (loss) after tax of associates	–	(2)	–	(2)	–	10	–	10	–	–	8
Share of profit / (loss) after tax of joint ventures	–	2	–	2	(3)	(1)	–	(4)	2	–	–
Segment profit before taxation	311	262	73	646	125	21	1	147	36	–	829
Segment income tax	(43)	(44)	(15)	(102)	(17)	(13)	(2)	(32)	(6)	–	(140)
Segment profit / (loss) after taxation	268	218	58	544	108	8	(1)	115	30	–	689

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 joint ventures	–	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

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	**2014**	2013
Segment profit after taxation		**689**	543
Net gain / (loss) on:			
– remeasurement of investment properties	10	**7**	13
– disposal of lease prepayment	3	**5**	–
– disposal of an investment property	3	**–**	(1)
Net fair value gain on foreign currency forward contracts	3	**2**	2
Net fair value (loss) / gain on interest rate swaps and cross currency swap		**(3)**	4
Share-based payments	5(b)	**(11)**	(13)
Amortisation of fair value adjustments on fixed assets and intangible assets arising from business combinations		**(30)**	(29)
Wind down costs of manufacturing operation	4	**(24)**	–
Unallocated corporate expenses		**(163)**	(149)
Reconciliation items before taxation		**(217)**	(173)
Tax impact:			
Net tax effect on the above reconciliation items		**12**	25
Reconciliation items net of taxation		**(205)**	(148)
Profit for the period		**484**	395

3. OTHER INCOME

	Unaudited Six months ended 30 June	
HK$ million	**2014**	2013
Commission income, subsidy income and rebate	**201**	151
Handling and service charge income	**85**	63
Interest income from bank deposits	**8**	9
Other interest income	**1**	1
Net loss on disposal of an investment property	**–**	(1)
Net gain on disposal of property, plant and equipment	**7**	5
Net gain on disposal of lease prepayment	**5**	–
Net fair value gain on foreign currency forward contracts	**2**	2
Net exchange (loss) / gain	**(15)**	12
Goodwill payment received	**–**	28
Others	**53**	35
Total	**347**	305

4. WIND DOWN COSTS OF MANUFACTURING OPERATION

During the six months ended 30 June 2014, the Group ceased certain production lines of an electrical appliances manufacturing operation in mainland China and as such, wind down costs of HK$24 million were recognised.

5. PROFIT BEFORE TAXATION

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

	Unaudited Six months ended 30 June	
HK$ million	**2014**	2013
(a) Finance costs		
Interest on bank advances and other borrowings wholly repayable within five years	**134**	110
(b) Other items		
Amortisation of lease prepayments	**5**	5
Amortisation of intangible assets	**24**	22
Depreciation	**261**	248
Share-based payments (Note 18)	**11**	13
Write-down of inventories	**55**	42
Reversal of write-down of inventories	**(87)**	(101)
Net reversal of impairment losses on		
– trade and other receivables	**(3)**	(4)
– property, plant and equipment	**(5)**	–

6. INCOME TAX

Hong Kong Profits Tax is calculated at 16.5% (2013: 16.5%) on the estimated assessable profit for the period. Taxation outside Hong Kong is calculated based on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

Income tax charge represents:

	Unaudited Six months ended 30 June	
HK$ million	**2014**	2013
Current income tax		
– Hong Kong Profits Tax	**63**	42
– Outside Hong Kong	**88**	79
	151	121
Deferred tax		
– Origination and reversal of temporary differences	**3**	40
– Recognition of deferred tax assets on tax losses	**(27)**	(7)
Withholding tax	**1**	5
Total	**128**	159

7. DIVIDEND

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

HK$ million	Unaudited Six months ended 30 June 2014	2013
Interim dividend declared after the balance sheet date of 9.30 HK cents (2013: 8.68 HK cents) per share	**170**	159

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:

HK$ million	Unaudited Six months ended 30 June 2014	2013
Final dividend approved and paid of 10.72 HK cents (2013: 8.88 HK cents) per share	**196**	162

8. EARNINGS PER SHARE

(a) Basic earnings per share

The basic earnings per share for the six months ended 30 June 2014 is based on the profit attributable to shareholders of the Company of HK$430 million (2013: HK$401 million) and the weighted average number of 1,831,993,000 (2013: 1,830,612,890) ordinary shares in issue during the period.

(b) Diluted earnings per share

The diluted earnings per share for the six months ended 30 June 2014 is based on the profit attributable to shareholders of the Company of HK$430 million (2013: HK$401 million) and the weighted average number of 1,832,124,121 (2013: 1,834,193,172) ordinary shares (diluted) after adjusting the effect of deemed issue of shares under the Company's share option schemes.

9. PROPERTY, PLANT AND EQUIPMENT

HK$ million	**Unaudited 30 June 2014**	Audited 31 December 2013
Opening net book value	**3,798**	3,358
Exchange adjustments	**(23)**	50
Additions	**427**	1,051
Transfer to inventories	**(2)**	(20)
Amortisation capitalised in construction in progress (Note 11)	**2**	3
Disposals	**(164)**	(252)
Depreciation	**(261)**	(510)
Net reversal of impairment loss	**5**	2
Acquisition of subsidiaries	**–**	133
Acquisition of subsidiaries under common control	**–**	2
Transfer to assets held for sale (Note 13)	**–**	(19)
Closing net book value	**3,782**	3,798

10. INVESTMENT PROPERTIES

HK$ million	**Unaudited 30 June 2014**	Audited 31 December 2013
Opening net book value	**366**	565
Exchange adjustments	**9**	(57)
Net gain on remeasurement	**7**	19
Transfer from property, plant and equipment	**–**	17
Transfer to assets held for sale (Note 13)	**–**	(131)
Disposals	**–**	(47)
Closing net book value	**382**	366

11. LEASE PREPAYMENTS

HK$ million	**Unaudited 30 June 2014**	Audited 31 December 2013
Opening net book value	**537**	491
Exchange adjustments	**(5)**	8
Additions	**36**	18
Amortisation	**(5)**	(10)
Amortisation capitalised in construction in progress (Note 9)	**(2)**	(3)
Disposals	**(7)**	(4)
Acquisition of subsidiaries	**–**	37
Closing net book value	**554**	537

12. INTANGIBLE ASSETS

HK$ million	**Unaudited 30 June 2014**	Audited 31 December 2013
Opening net book value	**720**	670
Exchange adjustments	**(6)**	13
Additions	**5**	–
Amortisation	**(24)**	(46)
Acquisition of subsidiaries	**–**	83
Closing net book value	**695**	720

13. ASSETS HELD FOR SALE

In June 2013, a property situated in Canada with carrying amount of HK$19 million was reclassified from property, plant and equipment to asset held for sale following the Group's plan to dispose of the property. In June 2014, the Group entered into a sale and purchase agreement with an independent third party to dispose of such property at a consideration of CAD17 million (approximately HK$123 million). It is contemplated that the disposal would be completed in the second half of 2014 and a gain on disposal of approximately HK$85 million, net of expenses and tax will be booked by then.

In December 2013, an investment property situated in Hong Kong with carrying amount of HK$131 million was reclassified as asset held for sale following the Group's plan to dispose of the property. The fair value of the property was HK$143 million as at 31 December 2013. The disposal was completed in March 2014.

14. TRADE AND OTHER RECEIVABLES

HK$ million	**Unaudited 30 June 2014**	Audited 31 December 2013
Trade debtors and bills receivable	**2,499**	3,015
Less: provision for impairment of trade debtors	**(55)**	(59)
	2,444	2,956
Other receivables, deposits and prepayments	**3,347**	3,470
Gross amount due from customers for contract work	**2**	2
Amounts due from fellow subsidiaries	**–**	1
Amounts due from associates	**3**	47
Amounts due from joint ventures	**1**	–
Derivative financial instruments	**2**	7
Total	**5,799**	6,483

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 2014**	Audited 31 December 2013
Within 3 months	**2,263**	2,770
More than 3 months but within 1 year	**153**	164
Over 1 year	**28**	22
Total	**2,444**	2,956

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

15. 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 2014**	Audited 31 December 2013
Inventories	**611**	477
Bank deposits	**240**	253
Trade and other receivables	**62**	40
Property, plant and equipment	**–**	25
Total	**913**	795

16. TRADE AND OTHER PAYABLES

HK$ million	**Unaudited 30 June 2014**	Audited 31 December 2013
Trade creditors and bills payable	**1,688**	1,588
Other payables and accrued charges	**2,259**	2,515
Gross amount due to customers for contract work	**7**	23
Amounts due to associates	**56**	9
Amounts due to joint ventures	**11**	10
Amounts due to holders of non-controlling interests	**268**	268
Provision for product rectification	**44**	41
Derivative financial instruments	**7**	11
Total	**4,340**	4,465

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 2014**	Audited 31 December 2013
Current or within 1 month	**1,595**	1,516
More than 1 month but within 3 months	**44**	41
More than 3 months but within 6 months	**26**	14
Over 6 months	**23**	17
Total	**1,688**	1,588

17. CAPITAL AND RESERVES

(a) Share capital

	Unaudited 30 June 2014 Number of shares (in million)	Unaudited 30 June 2014 HK$ million	Audited 31 December 2013 Number of shares (in million)	Audited 31 December 2013 HK$ million
Ordinary shares, issued and fully paid:				
At 1 January	**1,832**	**275**	1,830	274
Transition to no-par value (Note)	**–**	**1,202**	–	–
Shares issued under share option scheme	**–**	**–**	2	1
At 30 June / 31 December	**1,832**	**1,477**	1,832	275

Note: As at 31 December 2013, 4,000 million ordinary shares, with par value of HK$0.15 each, were authorised for issue. Under the new Hong Kong Companies Ordinance (Cap. 622), which came into effect on 3 March 2014, the concept of "authorised share capital" and "par value" no longer exists. As part of the transition to the no-par value regime, the balance of the share premium as at 3 March 2014 have become part of the Company's share capital (Note 17(b)). These changes do not have an impact on the number of shares in issue or the relative entitlement of any of the shareholders.

(b) Share premium

Prior to 3 March 2014, the application of the share premium account was governed by section 48B of the predecessor Hong Kong Companies Ordinance (Cap. 32). On 3 March 2014, the balance of share premium has been transferred to issued share capital (Note 17(a)) upon abolition of par value under new Hong Kong Companies Ordinance (Cap. 622).

(c) General reserve

During the period ended 30 June 2013, general reserve of HK$97 million was transferred to retained profits upon payment of dividends from a subsidiary in Japan.

18. EQUITY COMPENSATION BENEFITS

On 30 April 2014, the board of the Company has granted share options to certain employees, officers and directors of the Company or any of its subsidiaries to subscribe for a total of 28,200,000 ordinary shares of the Company under the Share Option Scheme ("Scheme") adopted on 28 September 2007. The acceptance of the grant of the share option can be made with a payment of HK$1 from the grantee. Out of the 28,200,000 share options granted, 27,850,000 options were accepted and 350,000 were not as at the latest date of acceptance pursuant to the Scheme (i.e. 28 May 2014). All share options granted under the Scheme are exercisable in whole or in part within 5 years from the date of grant. The details of the share options granted are as follows:

– Exercise price: HK$4.93 per share

– Weighted average fair value: HK$1.37 per share

– Vesting scale: 25% of the share options granted will vest on the first anniversary of the date of grant

Further 25% of the share options granted will vest on the second anniversary of the date of grant

Remaining 50% of the share options granted will vest on the third anniversary of the date of grant

19. 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 unadjusted quoted prices 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 31 December 2013 and 30 June 2014, the outstanding foreign currency forward contracts, interest rate swaps and cross currency swap of the Group fall into Level 2.

(b) Fair value measurements

The following summarises the major methods used in estimating the fair values of financial instruments:

– 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 interest bearing bank borrowings are reasonable estimation of their fair values.

20. 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 2014**	Audited 31 December 2013
Contracted for		
– Capital expenditures	**70**	127
– Others	**16**	31
Total	**86**	158
Authorised but not contracted for		
– Capital expenditures	**306**	429
– Others	**–**	33
Total	**306**	462

21. MATERIAL RELATED PARTY TRANSACTIONS

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

(a) Recurring transactions

	Unaudited Six months ended 30 June	
HK$ million	**2014**	2013
Purchase from a joint venture	**24**	58
Purchases from associates	**143**	97
Rental expenses to fellow subsidiaries	**83**	80

(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 are payable as follows:

HK$ million	**Unaudited 30 June 2014**	Audited 31 December 2013
Within 1 year	**159**	166
After 1 year but within 5 years	**5**	72
Total	**164**	238

(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 material related party transactions.

22. CONTINGENT LIABILITIES

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

	Unaudited 30 June 2014		Audited 31 December 2013	
HK$ million	**Granted**	**Utilised**	Granted	Utilised
A joint venture	**–**	**–**	250	168
An associate	**16**	**14**	16	16
Total	**16**	**14**	266	184

23. ULTIMATE HOLDING COMPANY

At 30 June 2014, the directors considered the ultimate holding company of the Group to be CITIC Group Corporation, a wholly state-owned company established in the People's Republic of China.

REVIEW REPORT

Review report to the board of directors of Dah Chong Hong Holdings Limited
(Incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 24 to 39 which comprises the consolidated balance sheet of Dah Chong Hong Holdings Limited as of 30 June 2014 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 2014 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 2014

DIVIDEND AND CLOSURE OF REGISTER

The directors have declared an interim dividend of 9.30 HK cents per share for the year ending 31 December 2014 payable on Thursday, 18 September 2014 to shareholders whose names appear on the Register of Members of DCH on Monday, 8 September 2014. The Register of Members of DCH will be closed from Thursday, 4 September 2014 to Monday, 8 September 2014, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 3 September 2014.

SHARE OPTION SCHEME

DCH adopted the Share Option Scheme (the "Scheme") on 28 September 2007. Under the Scheme, the board of directors of DCH (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 of Hong Kong Limited (the "Stock Exchange") on the date of grant; and (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. The maximum number of shares over which options may be granted under the 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 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
30.4.2014	28,200,000	30.4.2015 – 29.4.2019*	4.930

* 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 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. The closing price of the shares of DCH immediately before the grant on 8 June 2012 was HK$7.49 per share.

Of the share options granted on 30 April 2014, 27,850,000 were accepted and 350,000 were not as at the latest date of acceptance pursuant to the scheme rules (i.e. 28 May 2014). 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. The closing price of the shares of DCH immediately before the grant on 30 April 2014 was HK$4.91 per share.

During the six months ended 30 June 2014, none of the share options under the Scheme were cancelled and exercised, and 200,000 share options were lapsed.

A summary of the movements of the share options under the Scheme during the six months ended 30 June 2014 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 1.1.2014	Granted during the 6 months ended 30.6.2014	Lapsed / cancelled during the 6 months ended 30.6.2014	Exercised during the 6 months ended 30.6.2014	Balance as at 30.6.2014	Approximate percentage to the number of issued shares
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	
	30.4.2014	30.4.2015 – 29.4.2019	4.930	–	1,800,000	–	–	1,800,000	
				3,250,000				5,050,000	0.276%
Lau Sei Keung	8.6.2012	8.6.2013 – 7.6.2017	7.400	1,450,000	–	–	–	1,450,000	
	30.4.2014	30.4.2015 – 29.4.2019	4.930	–	1,450,000	–	–	1,450,000	
				1,450,000				2,900,000	0.158%
Glenn Robert Sturrock Smith	7.7.2010	7.7.2010 – 6.7.2015	4.766	550,000	–	–	–	550,000	
	8.6.2012	8.6.2013 – 7.6.2017	7.400	1,100,000	–	–	–	1,100,000	
	30.4.2014	30.4.2015 – 29.4.2019	4.930	–	1,100,000	–	–	1,100,000	
				1,650,000				2,750,000	0.150%
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	
	30.4.2014	30.4.2015 – 29.4.2019	4.930	–	900,000	–	–	900,000	
				1,700,000				2,600,000	0.142%

(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 1.1.2014	Granted during the 6 months ended 30.6.2014	Lapsed / cancelled during the 6 months ended 30.6.2014	Exercised during the 6 months ended 30.6.2014	Balance as at 30.6.2014	Approximate percentage to the number of issued shares
7.7.2010	7.7.2010 – 6.7.2015	4.766	2,440,000	–	–	–	2,440,000	0.133%
8.6.2012	8.6.2013 – 7.6.2017	7.400	16,550,000	–	200,000	–	16,350,000	0.892%
30.4.2014	30.4.2015 – 29.4.2019	4.930	–	22,950,000	–	–	22,600,000 (Note 1)	1.234%

(c) Others

Date of grant	Exercise period	Exercise price per share HK$	Number of share options: Balance as at 1.1.2014	Granted during the 6 months ended 30.6.2014	Lapsed / cancelled during the 6 months ended 30.6.2014	Exercised during the 6 months ended 30.6.2014	Balance as at 30.6.2014	Approximate percentage to the number of issued shares
7.7.2010	7.7.2010 – 6.7.2015	4.766	900,000 (Note 2)	–	–	–	900,000	0.049%
8.6.2012	8.6.2013 – 7.6.2017	7.400	1,950,000 (Note 2)	–	–	–	1,950,000	0.106%

Notes:

1 350,000 share options were not accepted as at the latest date of acceptance pursuant to the scheme rules (i.e. 28 May 2014).
2 These are in respect of share options granted to former employees whose employment was terminated other for cause or misconduct.

The average fair value of the share options granted under the Scheme during the six month period ended 30 June 2014 measured at the date of grant on 30 April 2014 was HK$1.37 per share option based on the following assumptions using the Binomial Lattice Model:

– Share price at the grant date	HK$4.93
– Exercise price	HK$4.93
– Expected volatility of DCH's share price	40% per annum
– Share option life	5 years
– Expected dividend yield	3.0% per annum
– Average risk-free interest rate (based on Hong Kong Exchange Fund Notes)	1.22% per annum
– Early exercise assumption	Option holders will exercise when the share price is at least 160% of the exercise price
– Rate of leaving service during the exercise period	0.5% per annum

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

Taking into account the probability of leaving employment and early exercise behaviour, the expected life of the grant was estimated to be about 4.3 years.

The total expense recognised in DCH's income statement for the period ended 30 June 2014 in respect of the grant of the aforesaid 28,200,000 share options for the shares of DCH is approximately HK$3.5 million.

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 2014 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 number of issued shares
Yip Moon Tong	1,300,000 (Note)	0.071%
Lau Sei Keung	180,000	0.010%
Glenn Robert Sturrock Smith	50,000	0.003%
Wai King Fai, Francis	102,000	0.006%

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 number of issued shares
Lau Sei Keung	1,000	0.00003%

(b) CITIC Telecom International Holdings Limited

Name of director	Number of shares Personal interests	Approximate percentage to the number of issued shares
Kwok Man Leung	150,000	0.004%

(c) China CITIC Bank Corporation Limited

Name of director	Number of shares Personal interests	Approximate percentage to the number of issued shares
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

				Number of share options					
Name of director	Date of grant	Exercise period	Exercise price per share HK$	Balance as at 1.1.2014	Granted during the 6 months ended 30.6.2014	Lapsed / cancelled during the 6 months ended 30.6.2014	Exercised during the 6 months ended 30.6.2014	Balance as at 30.6.2014	Approximate percentage to the number of issued shares
Zhang Jijing	19.11.2009	19.11.2009 – 18.11.2014	22.00	500,000	–	–	–	500,000	0.014%
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 2014, 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 for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Rules Governing the Listing Securities on the Stock Exchange.

STATUTORY DISCLOSURE

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2014, 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 number of issued shares
CITIC Group Corporation	1,027,307,000 (L)	56.08% (L)
CITIC Glory Limited	1,018,800,000 (L)	55.61% (L)
CITIC Pacific Limited	1,018,800,000 (L)	55.61% (L)
Davenmore Limited	1,018,800,000 (L)	55.61% (L)
Colton Pacific Limited	800,922,200 (L)	43.72% (L)
Chadacre Developments Limited	245,102,000 (L)	13.38% (L)
Ascari Holdings Ltd.	217,877,800 (L)	11.89% (L)
Cornaldi Enterprises Limited	95,317,400 (L)	5.20% (L)
Schroders Plc	165,954,000 (L)	9.06% (L)

Note: (L) – long position

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

CITIC Group Corporation was deemed to be interested in 1,027,307,000 shares through its direct wholly-owned subsidiary, CITIC Glory Limited as to 1,018,800,000 shares and its indirect wholly-owned subsidiary, Hainsworth Limited as to 8,507,000 shares.

PURCHASE, SALE OR REDEMPTION OF SHARES

DCH has not redeemed any of its shares during the six months ended 30 June 2014.

Neither DCH nor any of its subsidiaries has purchased or sold any of DCH's shares during the six months ended 30 June 2014.

DEFINITION OF TERMS

TERMS

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

RATIOS

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

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

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

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

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

CORPORATE INFORMATION

Headquarters and Registered Office

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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
Level 22, Hopewell Centre
183 Queen's Road East
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 2014 to 8 September 2014
Interim Dividend payable:	18 September 2014

Interim Report 2014

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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