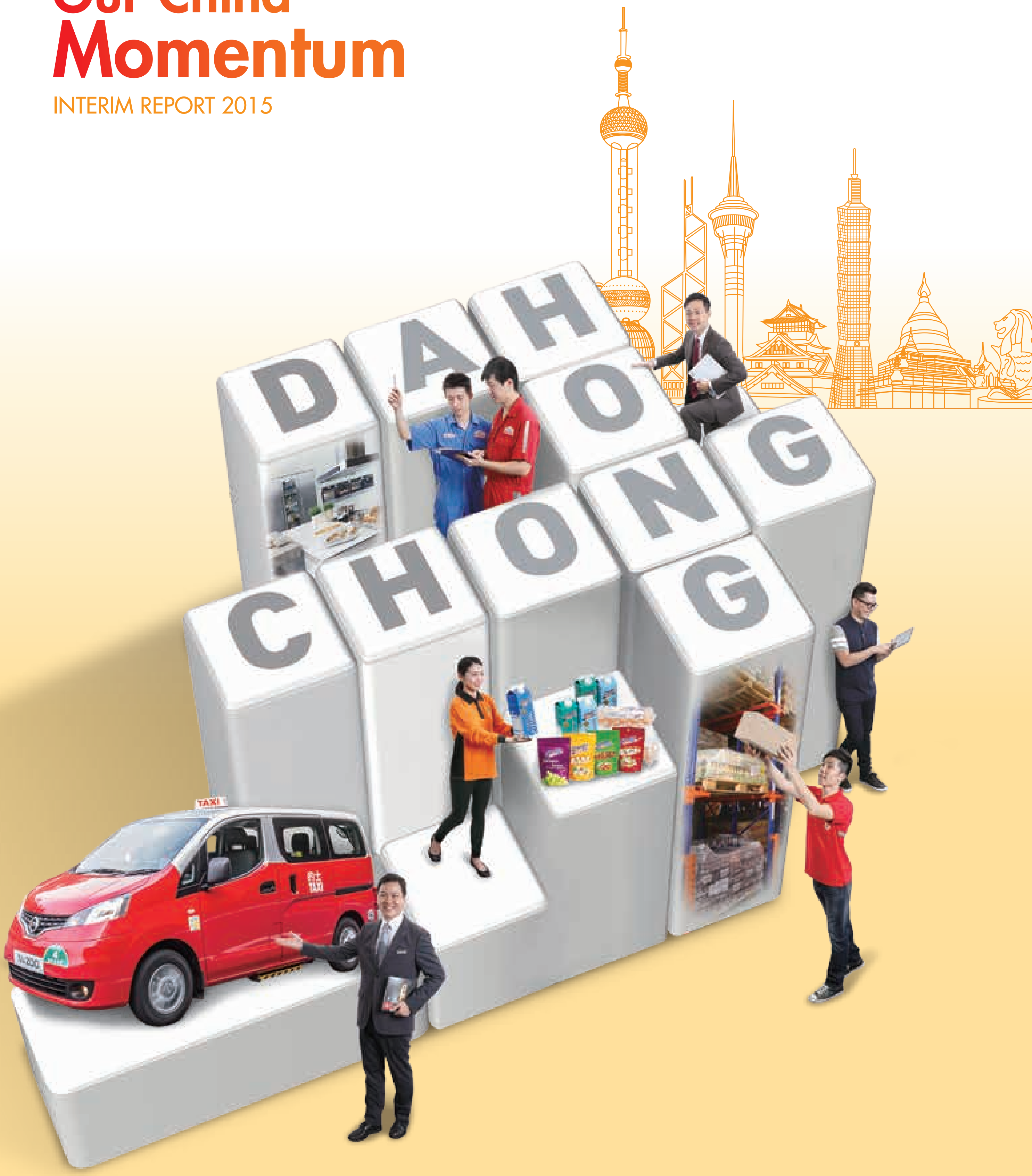
大 昌 行 集 團 有 限 公 司
DAH CHONG HONG HOLDINGS LIMITED
Stock Code: 01828

Vitality & Professionalism

Our China Momentum

INTERIM REPORT 2015



Vitality • 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 our focus while we are also exploring opportunities to expand our business into the Indochina market. 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 2015	2014
Turnover	**21,840**	22,094
Profit from operations	**549**	755
Profit attributable to shareholders	**280**	430
Segment profit after taxation		
Motor and Motor Related Business	**455**	544
Food and Consumer Products Business	**45**	115
Other Business	**42**	30

HK$ million	30 June 2015	31 December 2014
Total debt	**6,205**	8,661
Cash and bank deposits	**1,270**	1,493
Net debt	**4,935**	7,168
Shareholders' funds	**9,492**	9,322
Total capital	**14,427**	16,490
Capital employed	**15,697**	17,983
Net gearing ratio	**34.2%**	43.5%

HK cents	Six months ended 30 June 2015	2014
Basic earnings per share	**15.28**	23.47
Diluted earnings per share	**15.28**	23.47
Interim dividend per share	**6.10**	9.30

Chairman's Letter to Shareholders

Dear Shareholders,

The first half of 2015 was a challenging period for Dah Chong Hong Holdings Limited ("DCH" or "the Group") as we saw an extremely volatile market environment in the world triggered by the global currency fluctuation, the European Union crisis, the drop in commodity prices and the instability of China's economy. As a result, the Group's performance was affected and our profitability varied significantly across different regions and businesses.

Whilst mainland China has been our major region for business expansion, the slow down of its GDP growth in the last few years resulting from RMB exchange rate appreciation and high operating costs, as well as the shrinkage of the real estate market has impacted the consumer products business segment. This, coupled with the serious imbalance of supply and demand in the motor business in the PRC where we have made significant investments in the past few years, has largely reduced our overall return.

On the other hand, with our strong base in Hong Kong and our effort in the previous years to diversify the portfolio to other markets, we were able to capture the opportunities presented by the increased demand of commercial vehicles in Hong Kong and Singapore and successfully developed the *Isuzu* distributorship in Taiwan. These businesses have made and will continue to make steady contribution to the Group.

On the global front, the strong US Dollar against the Japanese Yen and Euro has improved the gross profit of most of our businesses in Hong Kong. However, the sliding price of commodities, including frozen and chilled meat and dairy products since the end of 2014 has affected the gross profit margin of our food business.

Looking ahead, the mainland China business environment has entered into the "New Normal", in which over production capacity will be gradually digested and the economic growth will reach a rational and healthy level. We would have to adjust our strategy to meet with this new business condition and to maintain our China Momentum.

FINANCIAL PERFORMANCE

In the first half of 2015, turnover remained stable at HK$21,840 million with turnover growth in most business segments except the China motor business. Profit attributable to shareholders declined by 34.9% to HK$280 million under a tough business environment in mainland China for both motor and food businesses. Basic earnings per share were down 34.9% to 15.28 HK cents. The board of directors (the "Board") has proposed the payment of an interim dividend of 6.10 HK cents per share (2014 first half: 9.30 HK cents per share).

Our net gearing ratio has improved to 34.2% with the decrease in RMB short term borrowings upon the reduction of auto inventory in the PRC. The Group continued to generate strong cashflow from operations to cover our capital expenditures, new investment and working capital requirements and to maintain a stable dividend policy.

OUR BUSINESS STRATEGIES

China Momentum

Despite the current challenging market conditions in mainland China, we are confident that DCH will ride on our strength, experience and solid financial foundation to maintain our China Momentum.

For the dealership business, the vehicle market would continue to grow at a lower rate. The over production capacity of most of the car manufacturers would gradually be digested and the average selling price might further go down in the next few years. However, it is believed that the imbalance of the supply and demand might ease and the new car sales profit margin would be normalised. The dealership business in mainland China would align with the global industry norm and become a profitable segment. The Group's priority is to improve the profitability of the dealership business by maximising the new car sales profit through close strategic partnerships with major car makers, enhancing the operational efficiency in 4S shops and reducing losses in the new shops.

Whilst many 4S shops in mainland China are facing difficulties especially in credit and funding, DCH, with its solid background and professional management, remains financially strong. We would continue to seek merger & acquisition ("M&A") opportunities and build more economical greenfield shops with strategic partners to expand the network.

Development of the motor related businesses is on the right track with the finance lease business commencing in the middle of the year. The Group will continue to look for expansion in these areas to diversify our portfolio in the motor industry.

For the food and consumer products business, the Group has built a solid foundation in the marketing and distribution of fast moving consumer goods ("FMCG"), frozen and chilled commodities through wide geographic coverage and different channels. We would further expand our product portfolio with world-renowned brands and develop the food service and convenience store channels which have grown significantly in the last few years.

The supply chain logistics business has become very popular with the modern trade operators who are to consolidate their supply channels to combat the food safety risk. We are working with major supermarket and hypermarket groups to explore the supply chain logistics business for supplying goods from overseas.

Cold chain development would also be essential to ensure food safety. The Group has developed a successful business model in southern, eastern and western China. To further enhance our food business in the PRC, we would continue to expand the cold chain coverage, forming a comprehensive network to meet the demand of our partners.

E-commerce has grown significantly in recent years. Our sales to the major internet shops have increased year by year. It is becoming an important sales channel and with the strong sourcing capability of the Group, we believe that the sales to the e-commerce platform would continue to grow fast in the coming years. On the other hand, the Group will continue to enhance the operation of our own cross-border e-commerce platform, *www.dchnu.com* to capture the B2C market.

Create Value through Collaboration

Leveraging the close relationship with CITIC, DCH has huge potential to further grow its business in mainland China. We are working closely with them to build the business among different business units in CITIC, for example, by cross selling among business units, sharing of marketing resources and optimising sales network, etc.

Apart from business units in CITIC, we are exploring the even larger synergies with their strategic partners including ITOCHU Corporation of Japan and Charoen Pokphand Group of Thailand, two of Asia's leading conglomerates. We see lots of room for collaboration with them as they are the leading consumer product manufacturers and trading companies in the regions. It is believed that the collaboration will bring to the Group a vast number of renowned brands to complement our strength in the marketing and distribution business in Greater China and other Asian countries for both motor and food businesses. We are also actively seeking other collaboration partners who could enhance our valuable asset of the distribution network in mainland China to create a win-win business model.

Improvement on the Return to Shareholders

In the last few years, the profitability of the Group has been impeded by the low return on investment in the motor business in mainland China which has been aggravated by the downturn in the growth of the car market and the imbalance of supply and demand in the industry. In this regard, we are formulating our strategy to improve the profitability of the business by fast-tracking the breakeven period for new investments through M&A and economical greenfield development; lowering the operating costs through close cooperation with principals; maximising the value of the brand synergies; and increasing the income from operations of 4S shops and related businesses.

For the food business, we intend to leverage the well-established global sourcing, marketing and distribution professionalism and the sales network to expand the business. It is expected that, with the increased turnover and the economy of scale, we would increase the profitability of the food and consumer products business of the Group in mainland China.

Environmental Initiatives

The Group has been developing the environmental improvement products especially in the motor industry in Hong Kong. We see this not only as a social responsibility of DCH but also an opportunity for the Group to expand our motor business. We are the leading supplier of vehicle emission reduction devices and electric cars and buses. To expand this initiative and to meet the demand in the PRC market, we are working with an integrated electric vehicle manufacturer in mainland China with the view of forming a strategic alliance to distribute its electric vehicles in Hong Kong and mainland China as well as in Asia at a later stage. We believe with the strong government backings in the use of electric vehicles, the potential of the market will be large and we are well-prepared to capture this rising trend.

Sustainability

Whilst we are restructuring the operations to achieve improvement of profitability through optimisation of costs, we would continue to invest in the businesses for the future. With our solid financial strength, DCH is well-positioned to seize good opportunities in the market that are strategically aligned with our business. We would actively search for opportunities to realise the value of our assets and to re-deploy our capital to improve the return on investment. The new setup for pleasure boat, e-commerce and Myanmar businesses might require some time to mature but we believe that they would add value to our shareholders in the years to come. On the other hand, we are still to review and invest in our core businesses to ensure their healthy development in line with the market trend.

IN CLOSING

It has been more than one year since I assumed the position of Chairman of DCH. During this period, I have seen the professionalism and vitality of our management team and staff. With our strong team and solid business foundation, I am confident that together we can bring DCH's business to new heights. The current market condition has imposed some short-term impact on our business, but we believe the worst time will pass, and we have already seen the silver lining ahead.

In spite of the tough business environment, we are committed to devote efforts in talent development to ensure the continuous supply of candidates to meet the demand for management staff. We have arranged different job-related training programmes to equip employees with the up-to-date knowledge and required skills to maintain high working standards and meet customers' needs. DCH not only cares about our employees' development, but also the wellness of our community. We have been fulfilling our corporate social responsibility through engaging in philanthropic activities, volunteering and green initiatives. Our DCH volunteer team also marked an important milestone by setting up a regional volunteer team in Eastern China in early 2015, after the regional establishment in Yunnan and Southern China, extending care and love to the local community.

Lastly, I would like to express my heartfelt thanks to our board members and our employees for their dedication, and our shareholders for their continuous support. We will continue to improve our profitability and to enhance the value to our shareholders.

Zhang Jijing
Chairman

Hong Kong, 20 August 2015

Business Review and Outlook

OPERATING RESULTS

For the six months ended 30 June 2015, the Group recorded a turnover of HK$21,840 million, dropping by 1.1% against last year (2014 first half: HK$22,094 million). Profit attributable to shareholders decreased by 34.9% to HK$280 million (2014 first half: HK$430 million) with the drop in profit from the PRC businesses. The adjusted net profit for the period, after excluding the non-operating items, amounted to HK$281 million, a drop of 34.0% when compared with HK$426 million last year.

MOTOR AND MOTOR RELATED BUSINESS

Our motor business achieved encouraging results in Hong Kong, Taiwan and Singapore. This partially compensated the performance shortfall of our PRC business which is being affected by the tough motor market environment. As a whole, the motor business continued to provide a solid profit contribution to the Group and generated strong cash flow to support our new business development.

- Segment turnover of motor and motor related business was HK$16,610 million, declined by 3.6%.
- Segment result from operations was HK$580 million, decreased by 10.2%.
- Segment margin was 3.5%, dropped by 0.2-percentage-point.

Mainland China

In the first half of 2015, the PRC motor market grew by 1.4%. The slow market growth intensified the impact of the imbalance of supply and demand. New vehicle prices continued to drop and new car sales margin has been eroded to a lower level. Profitability of 4S operators was substantially affected.

DCH has proactively reacted to this difficult situation. We have reduced our operating cost through optimising our inventory level, enhancing our operational efficiency and labour structure, and restructuring our 4S portfolio by closing shops with unsatisfactory return. We strengthened our after-sales business with improved profitability. Meanwhile, we are broadening our income streams in the motor related business by commencing our finance lease business.

- Segment turnover of PRC Motor Business for the first half of 2015 was HK$12,115 million, decreased by 8.6%.
- Segment result from operations was HK$70 million, decreased by 73.3%, as most of the new greenfield shops of age less than three years were incurring losses.
- Segment margin decreased to 0.6%.
- Overall motor market: 11.9 million units sold, expanded by 1.4%.
  - Passenger car market: 10.1 million units sold, increased by 4.8%.
  - Commercial vehicle market: 1.8 million units sold, decreased by 14.4%.

- DCH unit sales remained stable with around 43,900 units sold.
  - Passenger cars: around 41,600 units sold, up by 2.7%.
  - Commercial vehicles: around 2,300 units sold, down by 34.8%, as the sales in the first half of 2014 included a large delivery to a major logistics company.
- Dealership business recorded new car unit sales growth of 1.2% and service volume expanded by 2.9%.
- Same-store unit sales dropped slightly by 2.7%.
  - Passenger car same-store unit sales maintained about the same level.
  - Commercial vehicle same-store unit sales decreased by 40.2%.
- With our continuous improvement in service level, the same-store service volume resumed growth in the first half. We expect the cannibalisation effect to lessen as the number of 4S dealers in the market has stabilised.
  - Same-store service volume recorded a growth of 0.9%.
  - Same-store service sales dropped by 0.5% with the increase in labour revenue but drop in parts income.
- As at June 2015, the number of our 4S shops increased to 81 with the opening of two greenfield shops, one acquisition and one closure. The number of showrooms increased to 17 with two shops opened during the first half.
- Our efforts in strengthening motor related business was paid off. Dealership commission income from auto finance achieved satisfactory growth of 21.1%.
- Motor leasing business currently covered 15 cities and will expand to more locations in the second half of 2015.
- Finance lease business commenced operation in the first half.
- To capture the increasing demand of electric vehicles, we are working with an integrated electric vehicle manufacturer in mainland China with the view of forming strategic alliance to distribute electric vehicles in the PRC as well as other Asian countries.

Outlook

- The business environment of 4S dealership will improve in the second half while the overall China motor market will continue to grow at a lower rate. Following the slowdown in production of car manufacturers, the over production capacity will be gradually digested. The imbalance of supply and demand will ease and the new car sales profit margin will be normalised.
- Our dealership network development will continue with focus on M&A opportunities of good value and opening of more economical greenfield shops with strategic partners. Shops that become unprofitable will be closed.
- We will develop the after-sales service and motor related business into major profit contributors with continuous improvement in after-sales service, strengthening finance lease business and expanding motor leasing business.

Hong Kong and Macao

Overall Hong Kong motor market was mainly driven by the strong commercial vehicle sales under the HKSAR Government's ex-gratia payment scheme for the replacement of aged diesel commercial vehicles.

DCH achieved encouraging profit growth in the first half of 2015 as a result of sales volume expansion, improved margin with a better economy of scale and favourable exchange rate. With our well-managed supply chain, DCH capitalised on the overwhelming commercial vehicle replacement demand. We achieved above-market sales volume growth which further strengthened our leading position in the truck and bus segment. Our passenger car business recorded a decline in unit sales resulting from the launch of competitors' new models and aggressive pricing discount. Motor related business remained stable and continued to provide solid profit contribution.

- Segment turnover was HK$3,420 million, increased by 10.8%.
- Segment result from operations was HK$420 million, increased by 35.0%.
- Segment margin was 12.3%, increased by 2.2-percentage-point.
- Overall Hong Kong motor market: around 30,100 units sold, expanded by 13.6%.
  - Passenger car market: around 19,900 units sold, increased by 5.4%.
  - Commercial vehicle market: around 10,200 units sold, increased by 33.6%.
- DCH sold around 7,400 units, increased by 8.1%.
  - Passenger car: around 4,300 units sold, decreased by 9.0%.
  - Commercial vehicle: around 3,100 units sold, increased by 47.8%.
- DCH's market share in Hong Kong dropped by 0.2-percentage-point from the same period of last year to 21.5%.
- In the first half of 2015, we obtained the distributorship of the renowned commercial vehicle brand *Yutong* to enhance our bus portfolio of both diesel and electric models.
- We started the delivery of the new generation taxi, the *Nissan NV200*.

Outlook

- The Hong Kong motor market is expected to maintain a stable growth supported by the solid commercial vehicle replacement demand on the back of the government's ex-gratia payment scheme till 2019. DCH will proactively expand our leading position by providing unparalleled services and products in the commercial vehicle market. More products will be introduced to capture business in existing and new market segments including new models of mini-trucks and double-decker buses, and products from the newly obtained *Yutong* brand.
- We will continue to develop environment-friendly products by forming strategic alliances with electric vehicle manufacturers and by close collaboration with leading suppliers in vehicle emission control devices.
- With the new taxi *Nissan NV200*, we expect to increase our market share in the taxi segment.

Other Markets

Contribution from this segment continued to increase with both Taiwan and Singapore commercial vehicle businesses maintaining their growth momentum in the first half of 2015.

In Taiwan, our market share in the commercial vehicle market increased with the successful launch of truck models assembled by our semi-knock down ("SKD") factory. Bus model assembly is in the pipeline to further enhance our model line-up.

Commercial vehicle business in Singapore achieved encouraging unit sales and market share growth in the first half of 2015 stimulated by the Government's environmental policy of encouraging the replacement of aged diesel vehicles.

In the Indochina region, we are preparing the business facilities for our *FAW* and *Isuzu* operations to commence business in Myanmar in the second half of 2015.

- Segment turnover in the first half of 2015 was HK$1,075 million, increased by 19.8% with commercial vehicle businesses in Taiwan and Singapore contributing encouraging growth.

- Segment result from operations was HK$90 million, increased by 23.3%.

- Segment margin was 8.4%, increased by 0.3-percentage-point.

- Taiwan

  – DCH achieved unit sales growth of 15.2%.

  – Our *Isuzu* Taipei and Chiayi 4S shops commenced business.

  – The lease of our Taipei *Audi* 4S shop will expire soon and we are currently looking for a new location.

- Singapore

  – Achieved remarkable unit sales growth of 73.3%.

Outlook

- Our Taiwan commercial vehicle business will maintain the growth momentum following our network expansion and increasing products from our SKD factory.

- In Singapore, the environmental policy will continue to encourage strong demand for our commercial vehicle business.

Pleasure Boat Business

The development of our pleasure boat business has progressed well with the establishment of a professional team and the infrastructure in Hong Kong largely completed. After a short period of operation, our team has successfully secured sales orders for eight *Princess* motor yachts of which three were delivered in the first half and the remaining to be delivered in the coming months.

The experience in Hong Kong has given us confidence to jump start our operation in mainland China where we believe that the demand for pleasure boat will gradually build up, as the elite customer class continues to grow and more marina projects are being built. We will establish a sales office in Shanghai to leverage our long-standing relationship with customers in the prestigious car segment.

FOOD AND CONSUMER PRODUCTS BUSINESS

This segment contains several business lines including upstream food manufacturing, midstream distribution of FMCG, food commodity, as well as consumer products, and downstream retail business supported by logistics business. The phenomenal growth of e-commerce in mainland China warrants our special attention with dedicated resources to penetrate the e-commerce channels and the setting up of our own e-commerce platform *(www.dchnu.com)*. The segment reported a continuous turnover growth as a result of network expansion in mainland China and the acquisition of *Gilman Group* in Hong Kong. The segment result was adversely affected by the drop in global commodity prices impacting the frozen meat business in Hong Kong and the liquid milk business in mainland China, leading to a margin reduction.

- Segment turnover increased by 7.9% to HK$5,228 million.
- Segment result from operations decreased by 60.3% to HK$56 million.
- Segment margin dropped by 1.8-percentage-point to 1.1%.

Mainland China

In mainland China, the slowdown of GDP growth and the sluggish property market continued to suppress consumer spending sentiment. The effects of the anti-extravagance policy on gift market and luxury spending had persisted much longer than market anticipated. This together with the drop in global commodity prices, in particular liquid milk, had affected our turnover growth and segment result.

Our segment result was adversely affected by a number of negative factors including higher operating costs as we geared up for a higher turnover growth, sliding price in the liquid milk business, lower margin in the confectionary business and the development cost for our e-commerce business.

In view of the challenging market conditions, the Group has taken various measures to enhance our result. Our FMCG business successfully reduced its reliance on the sluggish gift market by developing sales for daily consumption and non-food products. We have expanded our product portfolio and deepened our penetration in the food services and convenient store channels while we continue to increase our geographic coverage.

- Segment turnover grew by 8.8% to HK$2,134 million.
- Segment result from operations incurred a loss of HK$56 million.
- Segment margin was –2.6%.

Food Business

A. FMCG

- Our FMCG business achieved a sales growth of 14.5% on good sales momentum of confectionery, snacks and beverage products.
- Confectionery: turnover registered a 18.4% growth.
- Snacks: turnover grew by 23.3%.
- Beverages: turnover increased by 12.5% due to encouraging sales from functional drinks.
- Dairy: turnover grew only 4.6% mainly affected by the drop in sales of liquid milk. As a result, we have put more efforts in other dairy products including ice-cream, cheese, butter and yoghurt.

B. *Supply Chain Logistics Management*

- By leveraging our distribution platform and our cold chain logistics network, we are able to provide supply chain logistics services for supplying overseas products to the modern trade operators including sourcing, importation, packing and repacking and shop level delivery.

- Our supply chain logistics services recorded a strong sales growth of 84.1% reflecting a surge in demand from our key account customers like supermarket and hypermarket chains. By close collaboration with our key account customers, we see great potential to significantly expand our business as we can ensure food safety while eliminating our customers' burden on all supply chain logistics requirements.

C. *Non-food FMCG business*

- To further our business growth, we have identified major categories in non-food FMCG products including baby care and personal care, which can synergise with our business by sharing the same distribution networks for a faster growth. Our focus will be on premium imported brands that are well sought-after by the growing middle class segment in mainland China.

Logistics Business

- Turnover grew by 86.5% which was attributed to higher demand for our value-added services and the commencement of new facilities including the multi-temperature logistics centers in Kunming and Xiamen.

- We will continue to expand our cold chain logistics network and establish facilities in strategic locations in mainland China such as Chengdu and Wuhan.

E-Commerce Business

- Our sales to e-commerce operators dropped 11.9%, mainly affected by a drop in sales of dairy products.

- Our e-commerce platform (*www.dchnu.com*) was launched late last year as a cross-border e-commerce business utilising the Group's strength in sourcing genuine overseas products. We are currently enriching our product offerings and directing more traffic to our platform.

Outlook

- While the market conditions for consumer business is still uncertain, we are seeing a number of major positive factors that give us confidence in our performance in the second half.

- The momentum of our sales growth remains intact and we believe that we can return to our higher growth trajectory with our relentless efforts on expanding our products portfolio and regional distribution networks which, coupled with the festive demands in the second half, will improve our profitability.

- The global commodity markets are stablising, thus the sales performance of our food commodity distribution business will also improve. The profit margin will return to a normal level as we have promptly disposed of our higher cost stocks.

- Our logistics business will further improve with the completion of most of the enhancement projects started in the last few years.

- We will seize the market opportunities to expand our supply chain logistics business by building close collaboration with modern trade and e-commerce operators.

Hong Kong and Macao

The total retail sales value in the Hong Kong market declined by 1.6% year-on-year in the first half of 2015. Market sentiment was affected by sluggish tourist spending. Price competition was keen especially in food commodity items due to falling global commodity prices. However, DCH achieved a satisfactory growth in segment turnover with expansion of our FMCG and consumer products distribution business and the acquisition of *Gilman Group* earlier this year.

In view of the market uncertainties, the Group promptly reduced its inventory level for food commodity which should put our business in a better position to improve segment results in the second half. We are also reviewing our retail business with an aim to improve its efficiency, branding and product mix for more sustainable growth.

- Segment turnover reached HK$2,848 million, up 11.5%.
- Segment result from operations was HK$118 million, down 7.8%.
- Segment margin was 4.1%, decreased by 0.9-percentage-point.

Food Business

A. *FMCG*
- Turnover of FMCG business rose by 4.2%.
- Healthcare food products: turnover fell by 2.8% compared to the quantum jump last year.
- Confectionary: turnover increased by 39.7% due to encouraging sales during Chinese New Year.
- Dairy: turnover increased by 7.4% on high demand of formula milk powder.
- Turnover of our house brand, *Cheer*, grew by 60.4% on robust sales of liquid milk and nuts products.
- Beverages: turnover improved by 4.2%.

B. *Food Commodity*
- Sales turnover increased by 12.7%.
- Profit margin decreased with the drop in global commodity prices and the oversupply situation in Hong Kong.

C. *Food Manufacturing*
- Food processing business performance lagged behind last year due to temporary production suspension of fresh and smoked salmon caused by a Listeria incident.
- Coffee and tea manufacturing business achieved an encouraging growth of 15.1% with improvement in sales of coffee, tea and grocery products.

D. *Retail*
- Retail business turnover dropped by 7.9% under keen competition from major operators.
- The result was depressed by rising rental and labour costs.

Consumer Products Business

- Turnover doubled as compared to last year after the acquisition of *Gilman Group* in January 2015. The acquisition enabled us to enjoy economy of scale and a wider product portfolio and deeper market penetration.

Logistics Business

- Turnover of the logistics business increased by 15.1% for the first half of 2015 as a result of a surge in demand for importation, repacking, as well as the cold chain logistics businesses.

- We have commenced the development of a new logistics and food processing center in the Hengqin Special Region in Zhuhai to support the fast growing demand in Macao.

Other Markets

Japan and Singapore businesses were adversely affected by depreciation in Japanese Yen and sliding global commodity price respectively.

Outlook

- For the food commodity business, we expect the performance to improve with the stabilisation of global commodity prices and benefitting from our lower inventory level and enhanced product mix.

- The FMCG business will continue to contribute solid result as we are actively sourcing new brands and products to penetrate new distribution channels and expediting the house brand development to maintain the growth momentum.

- The contribution from consumer products business is well sustained by the increase in built-in electrical appliances sales to property developers for new residential projects.

- For food processing and manufacturing, the performance will improve with resumption in the production of fish and smoked salmon as well as expansion of product portfolio and deepening of market penetration.

- We are reviewing our retail business with an aim to improve its operation in the near term.

Financial Review

INTRODUCTION

The Group's 2015 Interim Report includes the Chairman's letter to shareholders, the condensed consolidated interim financial statements and other information required by accounting standards, legislation, and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. This Financial Review is designed to assist the reader in understanding the Group's financial information by discussing the contribution of each business segment and the financial position of the Group as a whole.

TURNOVER

Turnover for the first six months of 2015 was HK$21,840 million, decreased by 1.1% compared with HK$22,094 million for the same period of 2014.

- **Motor and Motor Related Business**

  Turnover of Motor and Motor Related Business Segment decreased by 3.6%. New car unit sales in mainland China was stable, however, turnover decreased by 8.6% with drop in new vehicle price and increase in vehicle pricing discounts to customers. Turnover of Hong Kong and Macao segment grew by 10.8% driven by the strong commercial vehicle sales under the HKSAR Government ex-gratia payment scheme for the replacement of aged diesel commercial vehicles, whereas passenger car sales were affected by competitors' new model launch and aggressive pricing discount. Turnover of other markets segment increased by 19.8%. Total unit sales in Taiwan grew by 15.2% with the successful launch of truck models assembled by our semi-knock down factory; total unit sales in Singapore grew by 73.3% stimulated by the replacement demand under environmental policy of the Singapore Government.

- **Food and Consumer Products Business**

  Turnover of Food and Consumer Products Business Segment increased by 7.9%. Turnover in mainland China grew by 8.8% mainly contributed by increase in FMCG business with strong sales momentum across confectionery, snack and beverage products in the expanded distribution network. Turnover of logistics business in mainland China also recorded a remarkable growth attributable to increase in value added service income and new logistics facilities commencing operations. In Hong Kong and Macao, despite the weak market sentiment and drop in worldwide food commodity price, segment turnover grew by 11.5% with expansion of our FMCG and consumer products distribution business and the acquisition of Gilman Group since 31 January 2015. Turnover of other markets segment dropped by 24.8% with the discontinuation of the electrical appliances manufacturing operation during the second half year of 2014.

SEGMENT PROFIT AFTER TAXATION

Segment profit after taxation for the first six months of 2015 was HK$542 million, decreased by 21.3% compared with HK$689 million for the same period of 2014.

- **Motor and Motor Related Business**

  Segment profit after taxation decreased by 16.4% to HK$455 million (1–6/2014: HK$544 million). Segment profit after taxation in mainland China decreased by 87.6% to HK$27 million (1–6/2014: HK$218 million) with the impact of unhealthy competition in the market that new vehicle pricing discount had eroded gross margin to a much lower level and the losses incurred by the new greenfield 4S shops. However, segment profit after taxation in Hong Kong and Macao grew by 33.2% to HK$357 million (1–6/2014: HK$268 million) mainly driven by strong commercial vehicles sales and improved margin with better economy of scale and favourable exchange rates. Other markets contributed a segment profit after taxation of HK$71 million (1–6/2014: HK$58 million) with encouraging growth in commercial vehicles sales in Taiwan and Singapore.

- **Food and Consumer Products Business**

  Segment profit after taxation decreased by 60.9% to HK$45 million (1–6/2014: HK$115 million). Segment loss after taxation in mainland China was HK$46 million (1–6/2014: HK$8 million profit), mainly due to lower profit margin for FMCG business with the slow down of consumer spending, sharp drop in liquid milk price and the development cost for e-commerce business in the PRC. Segment profit after taxation in Hong Kong and Macao decreased by 9.3% to HK$98 million (1–6/2014: HK$108 million) owing to the decrease in profit of food commodity business which were affected by the strike in US West Coast early this year, the continuous drop in global food commodity price and over-supply of frozen food commodities in the local market. Retail business under DCH Foodmart in Hong Kong was affected by keen competition from major operators, high rental for retail space and increase in labour costs. This was partly offset by the improvement of consumer products business following the acquisition of Gilman Group in January 2015. For other markets, segment loss after taxation was HK$7 million (1–6/2014: HK$1 million loss) as both the import trading business in Japan and Singapore were affected by the unfavourable exchange rate and sliding global commodity price.

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 2015 was HK$280 million, decreased by 34.9% as compared with HK$430 million for the same period of 2014. The performance was mainly affected by the decrease in profit for the car dealership business and the losses incurred in the FMCG distribution business in mainland China. The impact was partly offset by encouraging growth in the motor business in Hong Kong, Taiwan and Singapore markets.

EARNINGS PER SHARE

Calculation of basic earnings per share for the six months ended 30 June 2015 was based on the profit attributable to shareholders of the Company and the weighted average number of 1,832,029,685 (2014: 1,831,993,000) ordinary shares in issue during the period. Basic earnings per share was 15.28 HK cents for the first half of 2015, a decrease of 34.9% as compared with 23.47 HK cents for the same period of 2014.

The diluted earnings per share for the period ended 30 June 2015 was the same as basic earnings per share as the potential ordinary shares in respect of outstanding share options are anti-dilutive.

DIVIDEND PER SHARE

An interim dividend of 6.10 HK cents (2014: 9.30 HK cents) per share was declared after the balance sheet date representing a dividend payout ratio of around 40% of the adjusted net profit for the first half year of 2015 of HK$281 million (1–6/2014: HK$426 million) which was arrived at after excluding net gain on remeasurement of investment properties and other non-operating items.

FINANCE COSTS

The Group's finance costs decreased by 4.5% to HK$128 million (1–6/2014: HK$134 million) mainly due to decrease in bank borrowings in particular the more expensive RMB bank loans following the decrease in auto inventory in mainland China and the more effective use of funding under the RMB cash pool in mainland China and cross-border cash pool with Hong Kong.

INCOME TAX

Income tax increased by 14.8% to HK$147 million (1–6/2014: HK$128 million). The effective tax rate for the period was 32.5% (1–6/2014: 20.9%) as the loss making units in mainland China reduced the profit before taxation and there is no group relief in the PRC.

NET ASSET VALUE PER SHARE

Calculation of net asset value per share was based on the net asset value of the Group of HK$9,926 million (31 December 2014: HK$9,763 million) and the 1,832,133,000 ordinary shares issued at 30 June 2015 (31 December 2014: 1,831,993,000 ordinary shares). Net asset value per share at 30 June 2015 was HK$5.42 (31 December 2014: HK$5.33).

CAPITAL EXPENDITURE

In the first half year of 2015, the Group's total capital expenditure was HK$328 million (1–6/2014: HK$463 million) and major usages are 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 and logistics facilities

HK$ million	**1–6/2015**	1–6/2014	Change
Motor and Motor Related Business	**193**	413	(220)
Food and Consumer Products Business	**106**	40	66
Other Business	**19**	2	17
Corporate Office	**10**	8	2
Total	**328**	463	(135)

CAPITAL COMMITMENTS

Please refer to note 19 to the condensed financial statements for details of capital commitments outstanding at 30 June 2015.

CONTINGENT LIABILITIES

Please refer to note 21 to the condensed financial statements for details of contingent liabilities at 30 June 2015.

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. Cross-border cash pooling between Hong Kong and mainland China was also established in the first half of 2015.

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 2015, the Group recognised foreign currency forward contracts with a fair value of HK$3 million assets (31 December 2014: HK$2 million assets) 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 2015, the Group had entered into a number of interest rate swaps with a total notional contract amount of HK$620 million to reduce the impact of interest rate fluctuation on its unsecured bank borrowings. These interest rate swaps will be expired in 2017 and 2018.

At 30 June 2015, together with the interest rate swaps entered in previous years, the Group had total outstanding interest rate swaps with a total notional contract amount of HK$2,320 million, representing 37% of the total borrowings.

At 30 June 2015, 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 the second half of 2015 matching with the maturity and the currency of the underlying bank borrowing.

At 30 June 2015, the Group recognised interest rate swaps and the cross currency swap with a fair value of HK$9 million liabilities (31 December 2014: HK$3 million liabilities) as derivative financial instruments.

Employment of Derivative Financial Instruments

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

CASH FLOW

Summary of Consolidated Cash Flow Statement

HK$ million	**1–6/2015**	1–6/2014	Change
Operating profit before changes in working capital	**847**	1,021	(174)
Decrease / (increase) in working capital	**2,403**	(1,100)	3,503
Cash generated from / (used in) operations	**3,250**	(79)	3,329
Income tax paid	**(156)**	(61)	(95)
Net cash generated from / (used in) operating activities	**3,094**	(140)	3,234
Net cash used in investing activities	**(584)**	(179)	(405)
Dividends paid to shareholders of the Company	**(121)**	(196)	75
Net cash used in other financing activities	**(2,648)**	(226)	(2,422)
Net decrease in cash and cash equivalents	**(259)**	(741)	482

Operating profit before changes in working capital

Profit before taxation was HK$453 million for the six months ended 30 June 2015 (1–6/2014: HK$612 million). After adding back the finance costs and 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$847 million (1–6/2014: HK$1,021 million).

Decrease / (increase) in working capital

For the six months ended 30 June 2015, working capital decreased by HK$2,403 million which included the decrease in inventories of HK$1,597 million mainly for motor vehicles in mainland China; and the decrease in trade and other receivables of HK$876 million with decrease in deposits paid to the OEMs for the purchase of motor vehicles, partly offset by the decrease in trade and other payables of HK$70 million.

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 motor vehicles in both Hong Kong and mainland China to cater for the business requirement; and the decrease in trade and other payables of HK$24 million, offset by the decrease in trade and other receivables of HK$605 million.

Net cash generated from / (used in) operating activities

For the six months ended 30 June 2015, cash generated from operations, after taking into account the decrease in working capital, was HK$3,250 million. Together with the tax paid of HK$156 million, net cash generated from operating activities was HK$3,094 million.

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.

Net cash used in investing activities

For the six months ended 30 June 2015, payment for purchase of fixed assets and lease prepayments were HK$332 million and net cash outflow for acquisition of subsidiaries was HK$280 million; after netting off the net proceeds from disposal of fixed assets of HK$74 million and net cash used in other investing activities of HK$46 million, net cash used in investing activities was HK$584 million.

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 of HK$51 million, net cash used in investing activities was HK$179 million.

Net cash used in financing activities

For the six months ended 30 June 2015, net cash used in financing activities was HK$2,769 million. This was mainly due to the net repayment of bank and other loans of HK$2,462 million, net cash outflow to holders of non-controlling interests of HK$64 million, interest paid of HK$123 million and dividends paid to shareholders of the Company of HK$121 million, partly offset by proceeds from shares issued under share option schemes of HK$1 million.

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 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.

GROUP DEBT AND LIQUIDITY

The financial position of the Group at 30 June 2015 is summarised as follows:

HK$ million	**30 June 2015**	31 December 2014	Change
Total debt	**6,205**	8,661	(2,456)
Cash and bank deposits	**1,270**	1,493	(223)
Net debt	**4,935**	7,168	(2,233)

The Group has established various RMB cash pools in mainland China and cross-border cash pooling with Hong Kong for more effective use of cash in the PRC and the RMB bank balance has been reduced.

The original denomination of the Group's borrowings as well as cash and bank deposits by currency at 30 June 2015 is summarised as follows:

HK$ million equivalent	HKD	RMB	JPY	USD	CAD	SGD	NTD	AUD	Others	**Total**
Total debt	4,402	578	206	537	–	44	185	242	11	**6,205**
Cash and bank deposits	192	957	38	27	1	18	17	–	20	**1,270**
Net debt / (cash)	4,210	(379)	168	510	(1)	26	168	242	(9)	**4,935**

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 2015, the Group's net gearing ratio was 34.2%, compared to 43.5% at 31 December 2014.

HK$ million	**30 June 2015**	31 December 2014	Change
Net debt	**4,935**	7,168	(2,233)
Shareholders' funds	**9,492**	9,322	170
Total capital	**14,427**	16,490	(2,063)
Net gearing ratio	**34.2%**	43.5%	(9.3%)

Net debt decreased in the first half of 2015 with the decrease in RMB short-term borrowings upon the reduction in auto inventory in the PRC.

The effective interest rate of the Group's borrowings at 30 June 2015 was 2.9% (31 December 2014: 3.6%) 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 2015, the borrowings were repayable as follows:

	HK$ million	% of total
Within 1 year or on demand	**2,451**	39%
After 1 year but within 2 years	**299**	5%
After 2 years but within 5 years	**3,455**	56%
Total	**6,205**	100%

Available Sources of Financing

In addition to cash and bank deposits of HK$1,270 million at 30 June 2015 (31 December 2014: HK$1,493 million), the Group had undrawn available loan facilities of HK$10,073 million (31 December 2014: HK$8,008 million), of which HK$544 million (31 December 2014: HK$440 million) was committed term loans and HK$9,529 million (31 December 2014: HK$7,568 million) was uncommitted money market lines. The Group also had available trade facilities amounting to HK$4,395 million (31 December 2014: HK$4,007 million). Borrowings by sources of financing at 30 June 2015 are summarised as follows:

HK$ million	**Total**	Utilised	Available
Committed facilities:			
Term loans and revolving loans	**5,516**	4,972	544
Uncommitted facilities:			
Money market lines	**10,722**	1,193	9,529
Trading facilities	**5,590**	1,195	4,395

These could be reconciled to the total debt at 30 June 2015 as follows:

HK$ million	30 June 2015	31 December 2014	Change
Utilised term loans and revolving loans	**4,972**	4,847	125
Utilised money market lines	**1,193**	3,713	(2,520)
Discounted bills and trade loans	**55**	122	(67)
Others	**(15)**	(21)	6
Total	**6,205**	8,661	(2,456)

PLEDGED ASSETS

At 30 June 2015, the Group's assets of HK$478 million (31 December 2014: HK$877 million) were pledged in relation to financing of issuance of bank acceptance drafts and purchase of vehicles stock in mainland China, and discounted bills in Japan.

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 2015, the Group had complied with all of the above financial covenants.

Environmental, Social and Governance Report

HUMAN RESOURCES

As at 30 June 2015, the Group had a total of 16,515 employees, with 11,944 in mainland China, 3,982 in Hong Kong and Macao, and 589 in other locations, namely, Japan, Taiwan, Singapore and Myanmar.

Location	June 2015	December 2014	June 2014	June 2015 vs December 2014	June 2015 vs June 2014
Mainland China	**11,944**	12,394	11,712	–3.6%	2.0%
Hong Kong & Macao	**3,982**	4,027	3,958	–1.1%	0.6%
Other Locations	**589**	542	513	8.7%	14.8%
Total	**16,515**	16,963	16,183	–2.6%	2.1%

The number of employees decreased by 2.6% over December 2014 and increased by 2.1% over June 2014.

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

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

The Group is also committed to employee safety and health. Regular reviews and audits are performed in accordance with the statutory and industry requirements.

People development and staff retention are the keys to continued success. To support the business development, we have launched a wide range of internal and external training courses for our employees. As at 30 June 2015, more than 39,295 participants have attended different training programmes, including leadership and management, technical and soft skills training. To strengthen the performance management culture, we revamped DCH Performance Management framework and relevant training workshops have been arranged across regions and business functions. Besides, to ensure continuous supply of new talent, we also organised different traineeship programmes including management trainees, operation trainees and apprenticeship programmes.

ENVIRONMENT

DCH recognises the importance of sustainable development. The Group has been implementing environment-friendly measures in its business as well as propagandising the environmental protection message to our staff.

Green Measures in office

We believe every small step makes a difference, and we are enthusiastic in promoting a green culture at our office. Since 2005, we have been proactively introducing eco-friendly office equipment for electricity saving purpose, such as energy saving lighting devices and timers to reduce the standby power consumption for water dispensers. In the first half of this year, we took a step further and replaced the current air conditioning system with new chiller plants.

To raise the awareness among staff, our Green Committee "Green Care" also arranged a series of green promotions and activities. For example, to support the United Nations "World Environment Day", bamboo fibre towels were distributed to employees to spread the message of using less detergent when washing dishes. Low carbon cooking lessons were also organised to introduce low carbon diet to our employees.

Awards and Recognitions

Our effort is greatly recognised by different green organisations. In the first half of 2015, we continued to garner the "Class of Excellence" in both Wastewi$e Label and Energywi$e Label, "Class of Good" in IAQwi$e Label, and the "Carbon Less 3% Certificate" held by the Hong Kong Awards for Environmental Excellence. We also obtained World Green Organisation's "Green Office label" in the Green Office Awards Labelling Scheme. Moreover, we received the "Platinum label" in WWF's Low Carbon Office Operation Programme (LOOP) labelling scheme, to prove our achievement in creating a green and low carbon office environment.

COMMUNITY

As a responsible corporate citizen, DCH has been dedicating its resources in contributing to the community where our business has presence in. With full support from the management, we continued to uphold the belief of "For a better living" by devoting our best effort in CSR endeavors in the first half of 2015.

Community Support

In the first half of 2015, apart from the usual philanthropic donations to non-governmental organisations such as Oxfam, Orbis, Medecins San Frontieres and YMCA, we also strived to leverage our business resources to support various charity programmes. In the Oxfam Rice Sale this year, the Group has been the official rice sponsor for eight consecutive years. Moreover, DCH Logistics also provided logistics support needed for the Rice Sale in Macao. On the other hand, DCH has also established a long term partnership with Life Education Activity Program (LEAP), which our Motor Service Centre has been providing free vehicle repair and maintenance service for all their mobile classrooms. To elevate our collaboration with LEAP, we have also commenced a scholarship program under the name of our house brand "*Cheer*" this year, which aims to advocate the message of healthy living among children in Hong Kong, fostering youth development at the same time.

In Taiwan, after the waterpark dust explosion incident in June 2015, our local operation made donation as well as initiated a fund raising activity among staff. A total of NTD600,000 was donated to help the victims on emergency relief.

DCH Volunteer Team

Our well-established DCH volunteer teams in Hong Kong, Southern China and Yunnan continued to organise regular community services and initiatives for the Group's key service targets, namely elderly, children and the underprivileged. To further extend its volunteering culture to our business-covered regions, the fourth DCH Volunteer Team was set up in Eastern China earlier this year. The Eastern China Volunteer Team does not only organise volunteer activities in Shanghai, where our regional headquarters locates, but also reaches out to second-tier cities like Nanjing. Currently, we have a total of 800 Volunteer Team members in Hong Kong and mainland China, and we will continue our efforts in engaging more staff to participate in community services.

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 45 to 60 of the Annual Report 2014 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 2015.

The Audit Committee of the Board, consisting of four independent non-executive directors, has reviewed the Interim Report 2015 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 2015 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 2015 on page 44.

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 2015.

Consolidated Income Statement

HK$ million	Note	Unaudited Six months ended 30 June 2015	 2014
Turnover	2(a)	**21,840**	22,094
Cost of sales		**(19,219)**	(19,435)
Gross profit		**2,621**	2,659
Other income	3	**389**	347
Selling and distribution expenses		**(1,538)**	(1,368)
Administrative expenses		**(923)**	(883)
Profit from operations		**549**	755
Net gain on remeasurement of investment properties	9	**15**	7
Wind down costs of manufacturing operation	2(b)	**–**	(24)
Finance costs	4(a)	**(128)**	(134)
Share of profit after tax of associates		**10**	8
Share of profit after tax of joint ventures		**7**	–
Profit before taxation	4	**453**	612
Income tax	5	**(147)**	(128)
Profit for the period		**306**	484
Attributable to:			
Shareholders of the Company		**280**	430
Non-controlling interests		**26**	54
		306	484
Basic earnings per share (HK cents)	7(a)	**15.28**	23.47
Diluted earnings per share (HK cents)	7(b)	**15.28**	23.47

Consolidated Statement of Comprehensive Income

HK$ million	Unaudited Six months ended 30 June 2015	2014
Profit for the period	**306**	484
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of entities outside Hong Kong:		
– subsidiaries	**(1)**	(62)
– associates and joint ventures	**–**	(3)
Other comprehensive loss for the period, net of tax	**(1)**	(65)
Total comprehensive income for the period	**305**	419
Attributable to:		
Shareholders of the Company	**279**	369
Non-controlling interests	**26**	50
	305	419

Consolidated Balance Sheet

HK$ million	Note	Unaudited 30 June 2015	Audited 31 December 2014
Non-current assets			
Property, plant and equipment	8	**3,750**	3,821
Investment properties	9	**383**	374
Lease prepayments	10	**612**	551
Intangible assets	11	**928**	799
Goodwill	12	**640**	358
Interests in associates		**359**	350
Interests in joint ventures		**448**	415
Available-for-sale investments		**7**	8
Deferred tax assets		**83**	66
		7,210	6,742
Current assets			
Inventories	13	**7,249**	8,723
Trade and other receivables	14	**5,859**	6,668
Current tax recoverable		**6**	5
Cash and bank deposits		**1,270**	1,493
		14,384	16,889
Current liabilities			
Borrowings	15	**2,451**	5,402
Trade and other payables	16	**4,881**	4,817
Current tax payable		**161**	166
		7,493	10,385
Net current assets		**6,891**	6,504
Total assets less current liabilities		**14,101**	13,246
Non-current liabilities			
Borrowings	15	**3,754**	3,259
Put option written on non-controlling interest	18(b)	**158**	–
Deferred tax liabilities		**263**	224
		4,175	3,483
Net assets		**9,926**	9,763
Capital and reserves			
Share capital	17(a)	**1,477**	1,477
Other reserves		**8,015**	7,845
Total equity attributable to shareholders of the Company		**9,492**	9,322
Non-controlling interests		**434**	441
Total equity		**9,926**	9,763

Consolidated Statement of Changes in Equity

HK$ million **Unaudited** **Six months ended 30 June 2015**	Note	**Share capital** (17(a))	**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 2015		**1,477**	**(47)**	**143**	**82**	**(43)**	**72**	**795**	**26**	**6,817**	**9,322**	**441**	**9,763**
Profit for the period		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**280**	**280**	**21**	**301**
Other comprehensive loss		**–**	**–**	**–**	**–**	**–**	**–**	**(1)**	**–**	**–**	**(1)**	**–**	**(1)**
Total comprehensive income for the period		**–**	**–**	**–**	**–**	**–**	**–**	**(1)**	**–**	**280**	**279**	**21**	**300**
Reclassification	17(b)	**–**	**4**	**–**	**(4)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Share-based payments	4(b)	**–**	**–**	**–**	**–**	**–**	**12**	**–**	**–**	**–**	**12**	**–**	**12**
Lapse of share options		**–**	**–**	**–**	**–**	**–**	**(1)**	**–**	**–**	**1**	**–**	**–**	**–**
Dividends	6(b)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(121)**	**(121)**	**–**	**(121)**
Dividends to holders of non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(28)**	**(28)**
At 30 June 2015		**1,477**	**(43)**	**143**	**78**	**(43)**	**83**	**794**	**26**	**6,977**	**9,492**	**434**	**9,926**

HK$ million Unaudited Six months ended 30 June 2014	Note	Share capital (17(a))	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 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 loss		–	–	–	–	–	–	–	(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	4(b)	–	–	–	–	–	–	11	–	–	–	11	–	11
Transition to no-par value	17(a)	1,202	(1,202)	–	–	–	–	–	–	–	–	–	–	–
Dividends	6(b)	–	–	–	–	–	–	–	–	–	(196)	(196)	–	(196)
Dividends to holders of non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	(6)	(6)
At 30 June 2014		1,477	–	(61)	143	79	(43)	58	815	19	6,683	9,170	412	9,582

Condensed Consolidated Cash Flow Statement

HK$ million	Note	Unaudited Six months ended 30 June 2015	2014
Profit before taxation		**453**	612
Adjustment for non-cash and non-operating items		**394**	409
Operating profit before changes in working capital		**847**	1,021
Changes in working capital			
– Decrease / (increase) in inventories		**1,597**	(1,681)
– Decrease in trade and other receivables		**876**	605
– Decrease in trade and other payables		**(70)**	(24)
Cash generated from / (used in) operations		**3,250**	(79)
Income tax paid		**(156)**	(61)
Net cash generated from / (used in) operating activities		**3,094**	(140)
Net cash used in investing activities			
– Net cash outflow for acquisitions of subsidiaries	18	**(280)**	–
– Other investing activities		**(304)**	(179)
Net cash used in financing activities			
– Dividends paid to shareholders of the Company		**(121)**	(196)
– Interest paid		**(123)**	(130)
– Net repayment of bank borrowings and other loans		**(2,462)**	(20)
– Other financing activities		**(63)**	(76)
Net decrease in cash and cash equivalents		**(259)**	(741)
Cash and cash equivalents at 1 January		**1,236**	1,907
Effect of foreign exchange rates changes		**(2)**	(13)
Cash and cash equivalents at 30 June		**975**	1,153
Analysis of the balances of cash and cash equivalents			
Cash and bank deposits		**1,270**	1,405
Less:			
Pledged bank deposits	15	**(279)**	(240)
Bank overdrafts		**(16)**	(12)
		975	1,153

Notes to the Condensed Financial Statements

1. BASIS OF PREPARATION

(a) 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 2014.

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 2014, except for the new accounting policy to the Group as disclosed in note 1(b), and the adoption of all relevant revised Hong Kong Financial Reporting Standards ("HKFRSs") and HKASs, amendments and interpretations ("revised standards"), which are effective for the current accounting period.

Adoption of the new accounting policy 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.

The financial information relating to the financial year ended 31 December 2014 that is included in these interim financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. The Company has delivered the financial statements for the year ended 31 December 2014 to the Registrar of Companies as required by the Hong Kong Companies Ordinance. The Company's auditor has reported on those financial statements. The auditor's report was unqualified and did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report.

(b) Non-controlling interests with a put option written by the Group to the holders of non-controlling interests on their equity interests in a subsidiary are classified as financial liabilities. The financial liabilities are recognised initially at fair value. The fair value is remeasured at each balance sheet date, with any resultant gain or loss being recognised in the Group's other comprehensive income.

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 2015	**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	3,407	12,115	1,075	16,597	2,847	2,134	246	5,227	16	–	21,840
Inter-segment turnover	13	–	–	13	1	–	–	1	52	(66)	–
Segment Turnover	**3,420**	**12,115**	**1,075**	**16,610**	**2,848**	**2,134**	**246**	**5,228**	**68**	**(66)**	**21,840**
Segment result from operations	420	70	90	580	118	(56)	(6)	56	41	–	677
Share of profit / (loss) after tax of associates	–	(1)	–	(1)	–	11	–	11	–	–	10
Share of profit after tax of joint ventures	–	3	–	3	–	–	–	–	4	–	7
Segment profit before taxation	420	72	90	582	118	(45)	(6)	67	45	–	694
Segment income tax	(63)	(45)	(19)	(127)	(20)	(1)	(1)	(22)	(3)	–	(152)
Segment profit / (loss) after taxation	**357**	**27**	**71**	**455**	**98**	**(46)**	**(7)**	**45**	**42**	**–**	**542**

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

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	**2015**	2014
Segment profit after taxation		**542**	689
Net gain on:			
– remeasurement of investment properties	9	**15**	7
– disposal of lease prepayment	3	**–**	5
Net fair value gain on foreign currency forward contracts	3	**1**	2
Net fair value loss on interest rate swaps and cross currency swap		**(6)**	(3)
Share-based payments	4(b)	**(12)**	(11)
Amortisation of fair value adjustments on property, plant and equipment and intangible assets arising from business combinations		**(32)**	(30)
Reversal of over-accrued supplier rebates		**(41)**	–
Wind down costs of manufacturing operation	*(i)*	**–**	(24)
Unallocated corporate expenses		**(166)**	(163)
Reconciliation items before taxation		**(241)**	(217)
Tax impact:			
Net tax effect on the above reconciliation items		**5**	12
Reconciliation items net of taxation		**(236)**	(205)
Profit for the period		**306**	484

Note: *(i)* 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.

3. OTHER INCOME

HK$ million	Unaudited Six months ended 30 June 2015	2014
Commission income	**167**	139
Handling and service charge income	**77**	85
Advertisement and other subsidies from suppliers	**73**	53
Forfeited deposit from customers	**21**	6
Government subsidies	**4**	9
Interest income from bank deposits	**6**	8
Other interest income	**–**	1
Net gain on disposal of property, plant and equipment	**4**	7
Net gain on disposal of lease prepayment	**–**	5
Net fair value gain on foreign currency forward contracts	**1**	2
Net exchange gain / (loss)	**7**	(15)
Others	**29**	47
Total	**389**	347

4. PROFIT BEFORE TAXATION

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

HK$ million	Unaudited Six months ended 30 June 2015	2014
(a) Finance costs		
Interest on bank advances and other borrowings wholly repayable within five years	**128**	134
(b) Other items		
Amortisation of lease prepayments	**8**	5
Amortisation of intangible assets	**26**	24
Depreciation	**269**	261
Share-based payments	**12**	11
Write-down of inventories	**49**	55
Reversal of write-down of inventories	**(13)**	(87)
Reversal of over-accrued supplier rebates	**41**	–
Net provision / (reversal) of impairment losses on		
– trade and other receivables	**2**	(3)
– property, plant and equipment	**–**	(5)

5. INCOME TAX

Hong Kong Profits Tax is calculated at 16.5% (2014: 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:

HK$ million	Unaudited Six months ended 30 June 2015	2014
Current income tax		
– Hong Kong Profits Tax	**90**	63
– Outside Hong Kong	**62**	88
	152	151
Deferred tax		
– Origination and reversal of temporary differences	**29**	3
– Recognition of deferred tax assets on tax losses	**(35)**	(27)
Withholding tax in mainland China	**1**	1
Total	**147**	128

6. DIVIDEND

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

HK$ million	Unaudited Six months ended 30 June 2015	2014
Interim dividend declared after the balance sheet date of 6.10 HK cents (2014: 9.30 HK cents) per share	**112**	170

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 2015	2014
Final dividend approved and paid of 6.60 HK cents (2014: 10.72 HK cents) per share	**121**	196

7. EARNINGS PER SHARE

(a) Basic earnings per share

The basic earnings per share for the six months ended 30 June 2015 is based on the profit attributable to shareholders of the Company of HK$280 million (2014: HK$430 million) and the weighted average number of 1,832,029,685 (2014: 1,831,993,000) ordinary shares in issue during the period.

(b) Diluted earnings per share

The diluted earnings per share for the six months ended 30 June 2015 is the same as basic earnings per share as the potential ordinary shares in respect of outstanding share options are anti-dilutive.

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 and the weighted average number of 1,832,124,121 ordinary shares (diluted) after adjusting the effect of deemed issue of shares under the Company's share option schemes.

8. PROPERTY, PLANT AND EQUIPMENT

HK$ million	**Unaudited 30 June 2015**	Audited 31 December 2014
Opening net book value	**3,821**	3,798
Exchange adjustments	**2**	(24)
Additions	**259**	899
Transfer to inventories	**(3)**	(6)
Transfer to investment properties	**–**	(12)
Amortisation capitalised in construction in progress (Note 10)	**–**	2
Disposals	**(70)**	(296)
Depreciation	**(269)**	(520)
Impairment loss	**–**	(24)
Business combination (Note 18)	**10**	4
Closing net book value	**3,750**	3,821

9. INVESTMENT PROPERTIES

HK$ million	**Unaudited 30 June 2015**	Audited 31 December 2014
Opening net book value	**374**	366
Exchange adjustments	**(6)**	(30)
Net gain on remeasurement	**15**	10
Transfer from lease prepayment and property	**–**	28
Closing net book value	**383**	374

10. LEASE PREPAYMENTS

HK$ million	**Unaudited 30 June 2015**	Audited 31 December 2014
Opening net book value	**551**	537
Exchange adjustments	**–**	(2)
Additions	**69**	40
Amortisation	**(8)**	(12)
Amortisation capitalised in construction in progress (Note 8)	**–**	(2)
Transfer to investment properties	**–**	(3)
Disposals	**–**	(7)
Closing net book value	**612**	551

11. INTANGIBLE ASSETS

HK$ million	**Unaudited 30 June 2015**	Audited 31 December 2014
Opening net book value	**799**	720
Exchange adjustments	**–**	(2)
Additions	**–**	50
Amortisation	**(26)**	(41)
Business combination (Note 18)	**155**	76
Impairment loss	**–**	(4)
Closing net book value	**928**	799

12. GOODWILL

HK$ million	**Unaudited 30 June 2015**	Audited 31 December 2014
Opening net book value	**358**	356
Business combination (Note 18)	**282**	2
Closing net book value	**640**	358

13. INVENTORIES

HK$ million	**Unaudited 30 June 2015**	Audited 31 December 2014
Finished goods	**7,189**	8,663
Raw materials	**59**	59
Work-in-progress	**1**	1
Total	**7,249**	8,723

14. TRADE AND OTHER RECEIVABLES

HK$ million	**Unaudited 30 June 2015**	Audited 31 December 2014
Trade debtors and bills receivable	**2,670**	3,016
Less: provision for impairment of trade debtors	**(56)**	(55)
	2,614	2,961
Other receivables, deposits and prepayments	**3,232**	3,681
Gross amount due from customers for contract work	**2**	8
Amount due from an intermediate holding company	**–**	2
Amounts due from fellow subsidiaries	**–**	1
Amounts due from associates	**5**	5
Amounts due from joint ventures	**–**	1
Derivative financial instruments	**6**	9
Total	**5,859**	6,668

14. TRADE AND OTHER RECEIVABLES (CONTINUED)

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 2015**	Audited 31 December 2014
Within 3 months	**2,385**	2,795
More than 3 months but within 1 year	**176**	142
Over 1 year	**53**	24
Total	**2,614**	2,961

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

HK$ million	**Unaudited 30 June 2015**	Audited 31 December 2014
Bank loans	**6,026**	8,354
Bank overdrafts	**16**	7
Other loans	**163**	300
Total	**6,205**	8,661

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

HK$ million	**Unaudited 30 June 2015**	Audited 31 December 2014
Inventories	**127**	550
Bank deposits	**279**	250
Trade and other receivables	**70**	77
Property, plant and equipment	**2**	–
Total	**478**	877

16. TRADE AND OTHER PAYABLES

HK$ million	**Unaudited 30 June 2015**	Audited 31 December 2014
Trade creditors and bills payable	**1,764**	1,669
Other payables and accrued charges	**2,645**	2,709
Gross amount due to customers for contract work	**7**	7
Amounts due to fellow subsidiaries	**4**	–
Amounts due to associates	**64**	18
Amounts due to joint ventures	**11**	9
Amounts due to holders of non-controlling interests	**318**	352
Provision for product rectification	**56**	43
Derivative financial instruments	**12**	10
Total	**4,881**	4,817

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 2015**	Audited 31 December 2014
Current or within 1 month	**1,700**	1,630
More than 1 month but within 3 months	**36**	20
More than 3 months but within 6 months	**11**	4
Over 6 months	**17**	15
Total	**1,764**	1,669

17. CAPITAL AND RESERVES

(a) Share capital

	Unaudited 30 June 2015 Number of shares (in million)	Unaudited 30 June 2015 HK$ million	Audited 31 December 2014 Number of shares (in million)	Audited 31 December 2014 HK$ million
Ordinary shares, issued and fully paid:				
At 1 January	**1,832**	**1,477**	1,832	275
Transition to no-par value (Note)	**–**	**–**	–	1,202
At 30 June / 31 December	**1,832**	**1,477**	1,832	1,477

Note: The new Hong Kong Companies Ordinance (Cap. 622) has come into effect on 3 March 2014. 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. These changes do not have an impact on the number of shares in issue or the relative entitlement of any of the shareholders.

(b) General reserve and statutory surplus reserve

During the period ended 30 June 2015, statutory surplus reserve of HK$4 million (2014: nil) was transferred to general reserve following a subsidiary of the Group changed from a domestic enterprise to a wholly foreign owned enterprise.

18. BUSINESS COMBINATION

(a) The Group has completed the acquisition of a subsidiary engaged in the PRC motor vehicle dealership business during the period. Since it is relatively immaterial to both the Group's financial position and results of operation, details of this acquisition are not disclosed.

(b) On 31 January 2015, the Group acquired 70% equity interest in Gilman Group Limited and Leader Synergy Limited (collectively known as "Gilman Group") at a total consideration of HK$305 million, including a contingent consideration payable of HK$10 million. Gilman Group is engaged in distribution of electrical and home appliances in Hong Kong, with footprints in mainland China, Macao and other Asian countries.

A put option was granted to the seller of Gilman Group upon completion, for the right to oblige the Group to purchase the remaining 30% equity interest. The put option is exercisable from the third to the fifth anniversary of the completion date on 31 January 2015. The fair value of such put option written on non-controlling interest at the balance sheet date is HK$158 million.

The turnover and profit after tax contributed by Gilman Group from the date of acquisition to 30 June 2015 were HK$215 million and HK$17 million respectively.

If the acquisition of Gilman Group had occurred on 1 January 2015, the Group's turnover and profit after tax for the period would have been approximately HK$21,869 million and HK$305 million respectively. These amounts have been calculated by adopting the Group's accounting policies and adjusting the results of the relevant subsidiaries to reflect the additional amortisation that would have been charged assuming the fair value adjustments to intangible assets had been applied from 1 January 2015, together with the consequential tax effects.

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

18. BUSINESS COMBINATION (CONTINUED)

The acquisitions completed during the period ended 30 June 2015 had the following effect on the Group's assets and liabilities on their respective dates of acquisition:

HK$ million	**Motor and Motor Related Business** Note 18(a)	**Food and Consumer Products Business** Note 18(b)	**Total**
Property, plant and equipment (Note 8)	8	2	10
Intangible assets (Note 11)	28	127	155
Inventories	9	110	119
Trade and other receivables	12	63	75
Current tax recoverable	–	1	1
Cash and bank deposits	34	13	47
Borrowings	(6)	–	(6)
Trade and other payables	(46)	(111)	(157)
Deferred tax liabilities	(7)	(21)	(28)
Fair value of net assets acquired	**32**	**184**	**216**
Put option written on non-controlling interest	–	(158)	(158)
Goodwill (Note 12)	3	279	282
Total consideration	35	305	340
Less: consideration payable	(3)	(10)	(13)
Less: cash acquired	(34)	(13)	(47)
Net cash (inflow) / outflow	**(2)**	**282**	**280**

19. CAPITAL COMMITMENTS

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

HK$ million	**Unaudited 30 June 2015**	Audited 31 December 2014
Contracted for		
– Capital expenditures	**107**	127
– Others	**1**	1
Total	**108**	128
Authorised but not contracted for		
– Capital expenditures	**264**	347
– Others	**–**	44
Total	**264**	391

20. 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, "Fair Value Measurement" 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 2014 and 30 June 2015, the outstanding foreign currency forward contracts, interest rate swaps and cross currency swap of the Group fall into Level 2, while the put option written on non-controlling interest arising from acquisition of Gilman Group (Note 18(b)) falls into Level 3 and there was no transfer between levels during the period.

(b) Fair value measurements

The fair values of financial instruments are estimated as the present value of future cash flows, discounted at current market interest rates for similar interest bearing bank borrowings, except for foreign currency forward contracts, interest rate swaps, cross currency swap and put option written on non-controlling interest.

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

The fair values of interest rate swaps and cross currency swap are the estimated amounts 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 fair value of put option written on non-controlling interest is an estimated amount of the put option exercise price which is calculated pursuant to the terms of the share purchase agreement for acquisition of Gilman Group. The fair value measurement requires estimation of post-acquisition profits of Gilman Group and judgment on time value of money. The estimated sales growth rates and change in gross profit margin are the significant unobservable inputs used in fair value measurement. The estimated sales growth rates range from 3.6% to 8.5% per annum and no change is expected on the gross profit margin. The fair value measurement is positively correlated to the sales growth rates and the change in gross profit margin of Gilman Group.

21. CONTINGENT LIABILITIES

(a) At the balance sheet date, the Group has issued a guarantee in respect of a banking facility of HK$16 million (31 December 2014: HK$16 million) granted to and utilised by an associate of HK$12 million (31 December 2014: HK$13 million).

(b) A subsidiary has issued a guarantee of EUR1.2 million at 30 June 2015 and 31 December 2014 to a trade creditor of an associate.

22. MATERIAL RELATED PARTY TRANSACTIONS

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

(a) Recurring transactions

HK$ million	Unaudited Six months ended 30 June **2015**	2014
Purchases from associates	**167**	143
Rental expenses to fellow subsidiaries	**91**	83

(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 2015**	Audited 31 December 2014
Within 1 year	**213**	74
After 1 year but within 5 years	**395**	2
Total	**608**	76

(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.

23. HOLDING COMPANIES

At 30 June 2015, 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. The intermediate holding company of the Group, CITIC Limited, which is incorporated and listed in Hong Kong, produces financial statements available for public use.

Review Report

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

INTRODUCTION

We have reviewed the interim financial report set out on pages 25 to 43 which comprises the consolidated balance sheet of Dah Chong Hong Holdings Limited as of 30 June 2015 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 2015 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

20 August 2015

DIVIDEND AND CLOSURE OF REGISTER

The directors have declared an interim dividend of 6.10 HK cents per share for the year ending 31 December 2015 payable on Thursday, 24 September 2015 to shareholders whose names appear on the Register of Members of DCH on Monday, 14 September 2015. The Register of Members of DCH will be closed from Thursday, 10 September 2015 to Monday, 14 September 2015, 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, 9 September 2015.

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 2015, 140,000 shares options were exercised, 1,400,000 share options were lapsed and none of the share options under the Scheme were cancelled.

A summary of the movements of the share options under the Scheme during the six months ended 30 June 2015 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 1.1.2015	Granted during the 6 months ended 30.6.2015	Lapsed / cancelled during the 6 months ended 30.6.2015	Exercised during the 6 months ended 30.6.2015	Balance as at 30.6.2015	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	
				5,050,000				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	
				2,900,000				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	
				2,750,000				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	
				2,600,000				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 1.1.2015	Granted during the 6 months ended 30.6.2015	Lapsed / cancelled during the 6 months ended 30.6.2015	Exercised during the 6 months ended 30.6.2015	Balance as at 30.6.2015	Approximate percentage to the number of issued shares
7.7.2010	7.7.2010 – 6.7.2015	4.766	2,340,000	–	–	40,000	2,300,000	0.126%
8.6.2012	8.6.2013 – 7.6.2017	7.400	14,500,000 (Note 1)	–	400,000	–	14,100,000	0.770%
30.4.2014	30.4.2015 – 29.4.2019	4.930	21,100,000 (Note 1)	–	1,000,000	–	20,100,000	1.097%

(c) Others (Note 2)

Date of grant	Exercise period	Exercise price per share HK$	Number of share options: Balance as at 1.1.2015	Granted during the 6 months ended 30.6.2015	Lapsed / cancelled during the 6 months ended 30.6.2015	Exercised during the 6 months ended 30.6.2015	Balance as at 30.6.2015	Approximate percentage to the number of issued shares
7.7.2010	7.7.2010 – 6.7.2015	4.766	900,000	–	–	100,000	800,000	0.044%
8.6.2012	8.6.2013 – 7.6.2017	7.400	3,450,000 (Note 1)	–	–	–	3,450,000	0.188%
30.4.2014	30.4.2015 – 29.4.2019	4.930	1,500,000 (Note 1)	–	–	–	1,500,000	0.082%

Notes:

1. 1,400,000 share options (granted on 8 June 2012) and 1,400,000 share options (granted on 30 April 2014) were reclassified and added to the opening balance in "Others" subsequent to certain employees having retired on 1 January 2015.
2. These are in respect of share options granted to former employees whose employment was terminated other than for cause or misconduct.

The weighted average closing price of the shares of DCH immediately before the dates on which the share options granted on 7 July 2010 were exercised was HK$5.06.

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 2015 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 Limited

Name of director	Number of shares Personal interests	Approximate percentage to the number of issued shares
Lau Sei Keung	1,000	0.000004%

(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.

Save as disclosed above, as at 30 June 2015, 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.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2015, 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	56.07%
CITIC Polaris Limited	1,027,307,000	56.07%
CITIC Limited	1,027,307,000	56.07%
CITIC Pacific Limited	1,027,307,000	56.07%
Davenmore Limited	1,018,800,000	55.61%
Colton Pacific Limited	800,922,200	43.72%
Chadacre Developments Limited	245,102,000	13.38%
Ascari Holdings Ltd.	217,877,800	11.89%
Cornaldi Enterprises Limited	95,317,400	5.20%

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 1,027,307,000 shares through its direct wholly-owned subsidiary, Davenmore Limited as to 1,018,800,000 shares and its indirect wholly-owned subsidiary, Hainsworth Limited as to 8,507,000 shares.

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

CITIC Polaris Limited was deemed to be interested in 1,027,307,000 shares through its direct controlled corporation, CITIC Limited.

CITIC Group Corporation was deemed to be interested in 1,027,307,000 shares through its wholly-owned subsidiaries, with CITIC Polaris Limited and CITIC Glory Limited respectively interested in 38% and 29.9% of the issued shares of CITIC Limited.

PURCHASE, SALE OR REDEMPTION OF SHARES

DCH has not redeemed any of its shares during the six months ended 30 June 2015.

Neither DCH nor any of its subsidiaries has purchased or sold any of DCH's shares during the six months ended 30 June 2015.

UPDATE ON DIRECTORS' INFORMATION

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

Mr. Cheung Kin Piu, Valiant, an independent non-executive director, has retired as independent non-executive director of Pacific Century Premium Developments Limited with effect from 6 May 2015.

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

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

Website

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

Stock Codes

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

Share Registrar

Shareholders should contact our Share Registrar on matters such as transfer of shares, change of name or address, or loss of share certificates:
Tricor Investor Services Limited
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:	10 September 2015 to 14 September 2015
Interim Dividend payable:	24 September 2015

Interim Report 2015

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: 2756 5167 or by email: contact@dch.com.hk.

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