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

Stock Code: 01828

Interim Report 2017

ABOUT DCH

Dah Chong Hong ("DCH", stock code: 1828.HK) is an integrated motor and consumer products distribution company operating in Asia with an extensive logistics network. DCH is a leading distributor and dealer of motor vehicles in Greater China and provides a full range of motor related services including maintenance, rental, repair and financing. DCH's consumer products business includes the distribution of food and FMCG, healthcare and electronic products as well as food processing, trading and retail.

DCH has more than 68 years of experience in helping principals penetrate markets including China, Hong Kong, Macao, Thailand, Malaysia, Japan, Indonesia, Singapore, the Philippines and Brunei. As the preferred partner of over 1,000 brands from more than 30 countries, DCH offers a full range of supply chain solutions from positioning and marketing to wholesale, retail, after-sales support. A subsidiary of China's largest conglomerate CITIC Limited (stock code: 0267.HK), DCH employs over 17,000 staff across the region. For more details, please visit www.dch.com.hk.

CONTENTS

Financial Highlights	2
Business Review and Outlook	3
Financial Review	11
Risk Management	18
Environmental, Social and Governance Report	22
Consolidated Statement of Profit or Loss	25
Consolidated Statement of Comprehensive Income	26
Consolidated Statement of Financial Position	27
Consolidated Statement of Changes in Equity	28
Condensed Consolidated Cash Flow Statement	30
Notes to the Condensed Financial Statements	31
Review Report	47
Statutory Disclosure	48
Definition of Terms	55
Corporate Information	56

FINANCIAL HIGHLIGHTS

HK$ million	Six months ended 30 June 2017	2016
Revenue	**23,044**	20,121
Profit from operations	**501**	521
Profit attributable to shareholders	**232**	220
Segment profit after taxation		
Motor Business	**369**	418
Consumer Products Business	**96**	30
Other Business	**23**	38

HK$ million	30 June 2017	31 December 2016
Total debt	**7,019**	7,424
Cash and bank deposits	**1,713**	1,160
Net debt	**5,306**	6,264
Shareholders' funds	**9,231**	8,732
Total capital	**14,537**	14,996
Capital employed	**16,250**	16,156
Net gearing ratio	**36.5%**	41.8%

HK$ cents	Six months ended 30 June 2017	2016
Earnings per share	**12.66**	12.01
Interim dividend per share	**5.05**	4.75

BUSINESS REVIEW AND OUTLOOK

In the first half of 2017, Dah Chong Hong Holdings Limited ("DCH") focused on business restructuring and profitability enhancement measures to build a solid platform for future growth in both the motor and consumer products businesses. The motor business in mainland China, the largest segment by revenue and profit, recorded stable revenue but increased significantly in profitability as a result of ongoing initiatives to increase margin by upgrading the motor brand portfolio and expanding motor related businesses. The Hong Kong and Macao motor segment offset this improvement with a decrease in sales and profitability as a result of model launch timings and market factors including exchange rates, government programs and industry regulations.

The consumer products business segment revenue increased 67.3% after the consolidation of the LF Asia acquisition and now represents 34.7% of total DCH revenue with an operational profile that has expanded to include healthcare products distribution and a regional presence in Southeast Asia. In the first half of the year, the company prioritised business restructuring to achieve synergies and recorded increases in result from operations in the consolidated consumer products business.

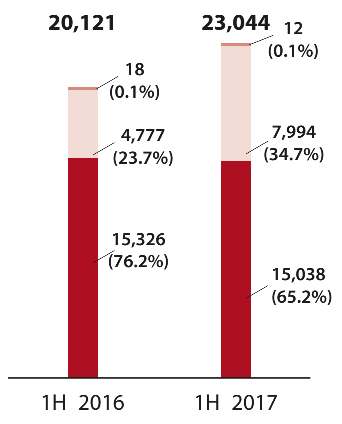
Looking forward, the mainland China motor business will remain the key growth and profit driver as DCH continues to improve profitability and expand horizontally in the motor segment. In the consumer products segment, ongoing integration and business development will increase economies of scale while growth in key areas such as healthcare are expected to positively impact DCH profitability. Leveraging the CITIC platform, DCH will continue to pursue strategic partnership and acquisition opportunities while improving overall performance with enhanced service levels and strengthened core competencies.

OPERATING RESULTS

For the six months ended 30 June 2017, total revenue was HK$23,044 million (first half 2016: HK$20,121 million) representing an increase of 14.5% mainly due to the consolidation of revenue from LF Asia's consumer and healthcare products distribution business. Profit attributable to shareholders increased 5.5% to HK$232 million (first half 2016: HK$220 million) due to margin increases from the mainland China motor business and the consolidation of LF Asia's contribution, particularly from the healthcare products segment.

Revenue from external customers

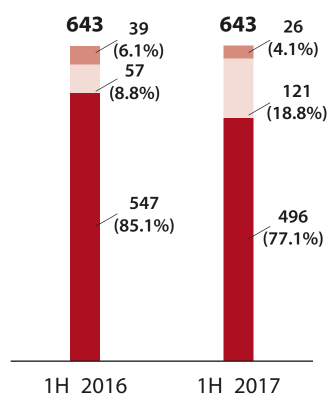
HK$ million
(% of total)



Motor Business | Consumer Products Business | Others

Segment result from operation

HK$ million
(% of total)



Motor Business | Consumer Products Business | Others

BUSINESS REVIEW AND OUTLOOK (Continued)

MOTOR BUSINESS

The motor business comprises of the operations of (i) the sales and distribution of motor vehicles and after-sales services; and (ii) other motor related businesses, which include independent service outlets, vehicle parts trading, used car sales, finance leasing, auto finance and insurance agency, the sale of yachts, engineering projects as well as airport and aviation support operations. The motor segment has a presence in mainland China, Hong Kong and Macao, and other markets, namely Taiwan and Singapore.

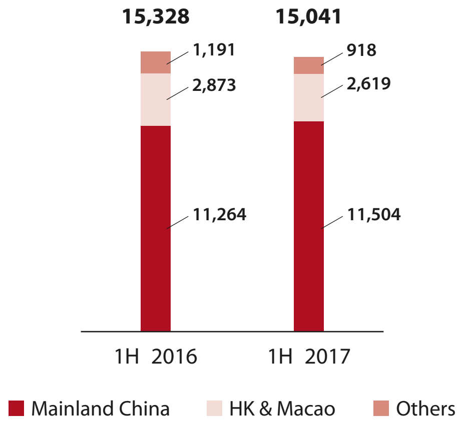
RESULTS OVERVIEW

- Segment revenue of the motor business decreased 1.9% to HK$15,041 million (first half 2016: HK$15,328 million) reflecting gains in the mainland China market and a decrease in the Hong Kong and Macao and the other markets segments.

- Segment result from operations was HK$496 million (first half 2016: HK$547 million). The decrease was driven by performance in the Hong Kong market and the appreciation of the Japanese Yen against the Hong Kong dollar which impacted margin, partly offset by improvements in the mainland China motor business.

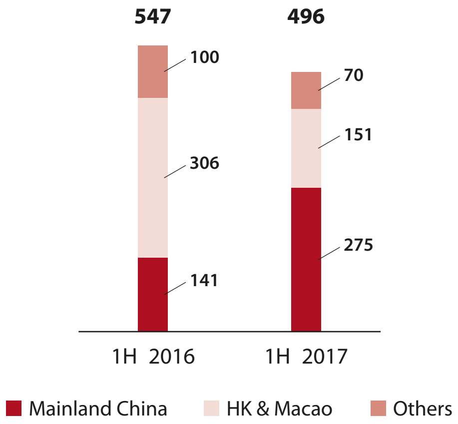
Segment revenue

HK$ million



Segment result from operations

HK$ million



REVIEW AND OUTLOOK

Mainland China

- In mainland China, the motor business grew 2.1% to HK$11,504 million (first half 2016: HK$11,264 million), an increase of 6.7% in RMB terms. Segment margin increased to 2.4%, an increase of 1.1 percentage points.

- Segment result from operations increased 95.0% as part of an ongoing strategy to improve productivity that includes measures to upgrade the brand portfolio, control inventory and discounting, drive customer loyalty for repurchase and enhance sales performance incentives to encourage cross-selling.

BUSINESS REVIEW AND OUTLOOK (Continued)

- In the first half of 2017, the mainland China passenger car market increased 1.6% in unit sales while DCH's unit sales decreased 3.0%. Despite the decrease in units sold, revenue improved as the sales mix of luxury vehicles increased.

- At the end of the first half of 2017, the total number of 4S shops and showrooms remained steady at 79 and 15 respectively.

- The motor related business improved significantly. Commission income from auto financing referrals increased 41.0% while the DCH-owned finance lease portfolio increased in value by 191% to RMB647 million. Commission income from auto insurance referrals remained steady.

- The auto rental business also delivered solid performance extending operations into Nanchang city in Jiangxi Province and now covers 23 cities in mainland China.

- In the second half of 2017, the mainland China motor business will build on the momentum of performance improvements and continue to rebalance the vehicle brand portfolio.

- DCH will continue to implement profitability enhancement initiatives, safeguarding margin by prudently managing key performance indicators including promotional activities, inventory levels, service satisfaction and sales.

- In alignment with the strategy to increase exposure to the luxury segment, DCH will strengthen the company's eastern China dealership network by increasing the number of Mercedes-Benz and Audi dealerships through acquisition.

- The outlook for the motor related business is strong based on anticipated market growth in auto financing as a result of an ongoing shift in consumer purchase behaviour, the increasing finance lease portfolio, and enhanced cross-selling incentives.

Hong Kong and Macao

- Segment revenue from the Hong Kong and Macao motor business decreased 8.8% to HK$2,619 million (first half 2016: HK$2,873 million).

- Segment result from operations was HK$151 million (first half 2016: HK$306 million) with segment margin at 5.8%, a decrease of 4.9 percentage points. The decrease was caused by the appreciation of the Japanese Yen against the Hong Kong dollar which impacted margin, vehicle stock provisions and the timing of annual principal incentive payments.

- The overall passenger vehicle market in Hong Kong increased 21.2% year-on-year, primarily due to the sales rush before the expiration of the Hong Kong electric vehicle subsidy and the change in diesel registration requirements. The market excluding electric and diesel vehicles decreased 2.9%.

- DCH's passenger car sales volume decreased 12.7%, impacted by the timing of model changeovers on top-selling vehicles and market distortions related to the electric vehicle subsidy expiration and heavy diesel vehicle discounting ahead of the change in government regulations.

- The commercial vehicle market in Hong Kong decreased by 7.8% due to the downturn in China exports. DCH's commercial vehicle unit sales performance was on par with the market.

- The motor related business decreased 9.3% due to retendering, engineering project deferrals and the rapid increase of government designated car testing centers which diluted the company's market share and reduced revenue.

BUSINESS REVIEW AND OUTLOOK (Continued)

- The outlook for the second half of 2017 remains positive for the Hong Kong and Macao motor segment. The business is expected to improve in sales and profitability after the completion of emissions-related model changes and gross margin improvements related to better Yen forward hedging.

- DCH will continue to promote quality and service with initiatives including service centre enhancements, shortened vehicle service turnaround, extended Saturdays and holiday service hours and a series of customer relationship initiatives designed to drive repurchase through long-term loyalty.

- In the second half of 2017, the motor related business will continue development on a diversified range of fleet and engineering projects in the pipeline.

- The outlook for the pleasure boat business is promising with 11 Princess yachts to be delivered in the second half of 2017. Additionally, a contract for a 130 foot Princess M class super-yacht was secured in the first half of 2017 and is scheduled to be delivered and recognised in 2018.

Other Markets

- Segment revenue from the motor business in other markets, Taiwan and Singapore, decreased 22.9% to HK$918 million (first half 2016: HK$1,191 million) while the segment result from operations decreased 30.0% to HK$70 million (first half 2016: HK$100 million).

Taiwan

- DCH registered a decrease in revenue with improvement in segment result from operations in Taiwan due to the Audi dealership market exit, reduced demand for coaches as a result of the decline in tourism and the entry of new players in the commercial vehicle market.

- In the second half of 2017, the Taiwan motor business will increase capacity and improve efficiency as a result of product range expansion in local assembly plants.

Singapore

- In Singapore, commercial vehicle sales decreased due to vehicle replacement carried out in 2016 according to the government's incentive program for aged diesel vehicles. Meanwhile, the high Certificate of Entitlement (COE) prices in the first half of 2017 hampered the sales in the light duty commercial vehicles segment. The slowdown in construction and infrastructure development also affected the heavy duty commercial vehicles sales.

- Segment result for operations decreased as the business implemented a strategic promotional plan to clear Euro V vehicle inventory in advance of the adoption of Euro VI emission regulations in the second half of 2017.

- In the second half of 2017, the Singapore business will focus on launching new commercial vehicle models in compliance with the Euro VI regulations.

BUSINESS REVIEW AND OUTLOOK (Continued)

CONSUMER PRODUCTS BUSINESS

The consumer product segment is comprised of (i) food distribution, trading, manufacturing, retail and home brand development (ii) fast moving consumer goods (FMCG) distribution, (iii) electrical products distribution, (iv) healthcare products distribution and (v) logistics solutions. The company distributes over 1,000 brands in a diverse range of channels across mainland China, Hong Kong, Macao, Taiwan, Singapore, Thailand, Malaysia, Japan, Indonesia, the Philippines and Brunei.

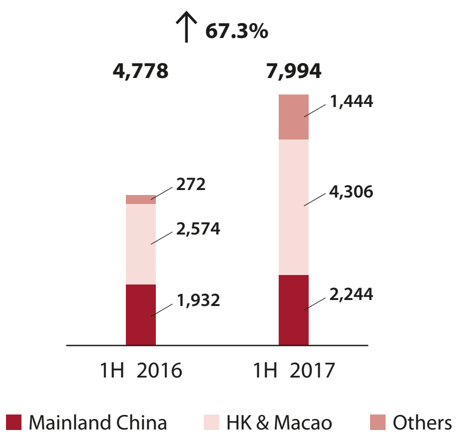
RESULTS OVERVIEW

- Segment revenue from the consumer products business increased 67.3% to HK$7,994 million (first half 2016: HK$4,778 million) primarily as a result of the consolidation of LF Asia. After the consolidation of LF Asia all geographic market segments gained in revenue with a 16.1% increase in mainland China, 67.3% increase in Hong Kong and Macao and 431% increase in other markets.

- The segment result from operations was HK$121 million, an increase of 112% from the consolidation of LF Asia and the strong profitability of the healthcare products segment. The Hong Kong and Macao businesses recorded results from operations of HK$143 million offset by narrowing losses of HK$44 million in mainland China. Results from operations in other markets recorded a turnaround from the LF Asia consolidation and healthcare products contribution with a segment result from operation of HK$22 million.

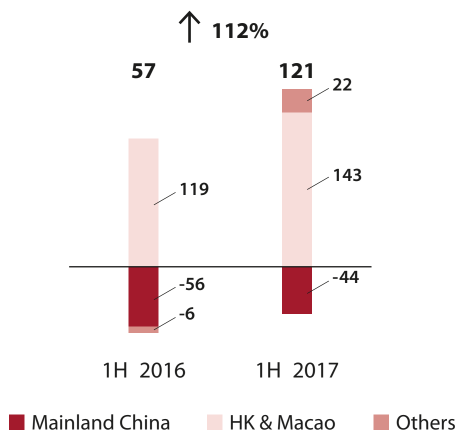
Segment revenue

HK$ million



Segment result from operations

HK$ million



REVIEW AND OUTLOOK

Food and FMCG Products

Mainland China

- Segment revenue of the mainland China food and FMCG products business decreased 5.6%. The consolidation of the LF Asia China business offset a base revenue decrease resulting from tighter credit and inventory controls and the under-performance of some key brands.

BUSINESS REVIEW AND OUTLOOK (Continued)

- Segment result from operations declined 57.5% as a result of the consolidation of LF Asia's China operations and business reengineering efforts that included discounting to clear slow-moving stock, the closure of loss-making units, and costs related to the integration of infrastructure and resources.

- In the second half of 2017, the performance of the mainland China food and FMCG business is expected to improve as DCH moves forward with the implementation of turnaround measures and reviews further potential strategic partnerships and M&A opportunities.

Hong Kong and Macao

- Segment revenue increased 43.4% with the consolidation of LF Asia's consumer business offsetting minor decreases in manufacturing, trading and food retail revenue. Segment result from operations decreased 27.0% from last year due to the performance of food trading and manufacturing, despite the consolidation of the LF Asia business and productivity improvement in food retail.

- LF Asia's food and FMCG products distribution business contributed positively to both segment revenue and profit in Hong Kong and Macao with a diversified portfolio including higher-margin consumer goods and market share gains in the snacking category.

- DCH's existing food distribution business achieved satisfactory performance in profit. The major drivers were on-going and effective cost saving initiatives and product margin improvements.

- The food trading business decreased in revenue and profit as a result of the Brazilian meat scandal and a reduction in bulk trading to manage inventory risk in response to softening market demand.

- Food retail sales decreased due to the company's strategy to rationalise the store portfolio which resulted in the closure of 18 non-profitable stores. However, like-for-like stores recorded sales growth of 1.9% partly as a result of a new, premium retail brand concept offering an enhanced shopping experience and a wider range of premium products.

- The food manufacturing business decreased in revenue and profit due to the production shutdown and facility relocation in the first quarter of 2017 in response to an incident of listeria contamination. The upgraded facility has now opened in Yuen Long.

- The outlook for the food and FMCG business in Hong Kong and Macao is improving with continued growth expected in the distribution business and ongoing improvements in food retail.

- In the second half of 2017, the distribution business will focus on enriching its product offering with premium, healthy foods in alignment with changing consumer tastes while expanding into non-traditional channels to increase market penetration including online and offline channels such as pop up stores, school catering and neighbourhood restaurants.

- DCH will extend the successful "Cheer" brand portfolio with new product offerings such as breakfast cereals and dairy products.

- Food retail will carry on the implementation of the new store brand concept to offer customers a better shopping experience while reviewing opportunities to further optimise the store portfolio.

- The food manufacturing business will continue to strengthen operations with upgraded facilities, improved operational efficiencies, product extensions and product mix optimisation.

BUSINESS REVIEW AND OUTLOOK (Continued)

Other markets

- With the acquisition of the LF Asia business, DCH expanded its food and FMCG products distribution business from Singapore and Japan to Thailand, Malaysia, Indonesia, Brunei, and the Philippines.

- The distribution businesses in Southeast Asia continued to grow in size and revenue with a balanced portfolio of consumer brands including food, personal care and household goods.

- The Malaysian manufacturing and co-packing plant contributed favorably to revenue and profitability with improved productivity as a result of line expansion and upgraded production facilities.

- In the second half of 2017, the businesses in Southeast Asia will continue to explore opportunities for growth while enhancing operational efficiencies and focusing on higher-value categories.

Healthcare Products Distribution

- The healthcare products business, which distributes a wide range of pharmaceuticals and medical equipment across Asia, contributed solidly in revenue and significantly in profitability to the overall performance of DCH.

- The business recorded sales gains in Greater China with a steady performance in Hong Kong and double-digit growth in Macao driven by government spending, offset by supply constraints in mainland China.

- The Southeast Asia business experienced encouraging growth due to operational investment and expansion, particularly in Thailand and the Philippines.

- The outlook for the healthcare products business is positive as the industry is expected to grow across Asia as a result of an increase in the elderly population, government investment and growing healthcare expenditures from the rising middle class.

- The company will continue to invest in the sector with a strategic focus on infrastructure in Hong Kong and Thailand including the expansion of cold chain facilities for temperature-controlled medicines.

- Key growth areas have been identified across the business which include strategic entry into new markets, category expansion and the extension of the supply chain to include direct sourcing for medical consumables.

- In preparation for the technological evolution of the market, the business is prioritising innovation and development in the growing area of home health services.

Electrical Products Distribution

- The electrical products distribution segment increased 5.4% in revenue due to a favourably diversified product and brand portfolio.

- In Hong Kong, project-based home appliance sales grew with the strong first-hand property market. Sales in mainland China improved due to the successful launch of lifestyle products including B&O Play earphones and Shure audio products.

BUSINESS REVIEW AND OUTLOOK (Continued)

- Segment result from operations decreased 11.4% due to an increase in warehousing costs, project-based sales with lower margins and promotions related to competitor discounting.

- In the second half of 2017, DCH will continue to explore ways to expand the project-based business with potential partnerships while deepening relationships with principals, diversifying product offerings and extending channel coverage into traditional and online retail.

- DCH will also launch a new lifestyle store concept featuring home living and audio products, in-store cooking lessons and wine-and-dine experiences.

Logistics Solutions

- Segment revenue remained stable with result from operations recording a significant improvement from successful business restructuring and operational improvements.

- In the first half of 2017, DCH implemented initiatives to improve the utilisation of existing infrastructure, develop cold chain capabilities, and reduce cost by leveraging the LF Asia integration and intergroup synergies.

- In the second half of 2017, the logistics services business will continue productivity enhancements and integration efforts for enhanced profitability.

- The construction of the Hengqin logistics centre is in progress and it is scheduled to commence operation in the first quarter of 2018.

FINANCIAL REVIEW

REVENUE

Revenue for the first half of 2017 was HK$23,044 million, an increase of 14.5% compared with HK$20,121 million for the same period last year.

Motor Business

The motor business segment revenue decreased slightly by 1.9% to HK$15,041 million (first half 2016: HK$15,328 million), accounting for 65% of the Group's total revenue. The decline was attributable to a 8.8% drop in Hong Kong and Macao segment revenue which was impacted by the Hong Kong government's electric vehicle policy and keen price competition and a 22.9% drop in other markets primarily because of the exit of the Audi business in Taiwan, but partly compensated by 2.1% year-on-year growth in mainland China resulting from the stronger sales of luxury cars.

Consumer Products Business

Revenue from the consumer products business segment rose by 67.3% to HK$7,994 million (first half 2016: HK$4,778 million) primarily due to the inclusion of the LF Asia result and the good performance of the healthcare products distribution business. On a like-for-like basis, segment revenue of the consumer products business recorded a decrease of 10.1% in all markets as compared to the same period last year.

SEGMENT PROFIT AFTER TAXATION

Segment profit after taxation for the first half of 2017 was HK$488 million, an increase of 0.4% as compared with HK$486 million for the same period last year.

Motor Business

Segment profit after taxation dropped 11.7% to HK$369 million (first half 2016: HK$418 million), mainly due to the sales decrease in Hong Kong, Macao, Taiwan and Singapore as well as the Japanese Yen appreciation which impacted margin negatively. The decrease was partly compensated by both the sales growth and increase in profitability from the mainland China motor business.

Consumer Products Business

Segment profit after taxation was HK$96 million, more than triple versus last year (first half 2016: HK$30 million) after the inclusion of LF Asia and the strong profitability of the healthcare products segment. On a like-for-like basis, the logistics solutions business outperformed last year after the full settlement of the ammonia leakage incident, while the food and FMCG business and the electrical products distribution business reported a decrease in segment profit after taxation.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Profit attributable to shareholders of the Company for the first half of 2017 was HK$232 million, an increase of 5.5% (first half 2016: HK$220 million). While operating performance was steady, the Group implemented a tax efficiency program to proactively reduce tax expenses and enhance interest savings through progressive re-negotiation with banks.

FINANCIAL REVIEW (Continued)

EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2017 was based on the profit attributable to shareholders of the Company and the weighted average number of 1,832,133,000 (2016: 1,832,133,000) ordinary shares in issue during the period. Basic earnings per share was 12.66 HK cents for the six months ended 30 June 2017, an increase of 5.4% as compared with 12.01 HK cents for the same period of 2016.

The diluted earnings per share for the six months ended 30 June 2016 and 2017 was the same as the 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 5.05 HK cents (2016: 4.75 HK cents) per share was declared after the end of the reporting period, representing a dividend payout ratio of around 40% of adjusted net profit for the six months ended 30 June 2017.

FINANCE COSTS

The Group's finance costs increased by 5.5% to HK$96 million (first half 2016: HK$91 million) mainly due to bank borrowings required to fund the acquisition of LF Asia. Conversely, the effective interest rate has been reduced after series of successful negotiations with the banks.

INCOME TAX

Income tax was HK$151 million (first half 2016: HK$201 million), representing a decrease of 24.9%. The effective tax rate for the period was 37.2% (first half 2016: 46.2%), partly due to the absence of the one-off tax settlement incurred last year and partly due to the implementation of a tax efficiency program.

NET ASSET VALUE PER SHARE

The calculation of net asset value per share was based on the net asset value of the Group of HK$9,721 million (31 December 2016: HK$9,244 million) and the 1,832,133,000 ordinary shares issued on 30 June 2017 (31 December 2016: 1,832,133,000 ordinary shares). The increase in net asset value mainly reflected the fluctuation of the RMB and Japanese Yen. Net asset value per share at 30 June 2017 was HK$5.31 (31 December 2016: HK$5.05).

CAPITAL COMMITMENTS

Please refer to note 19 to the condensed consolidated interim financial statements for details of capital commitments outstanding at 30 June 2017.

FINANCIAL REVIEW (Continued)

CONTINGENT LIABILITIES

Please refer to note 21 to the condensed consolidated interim financial statements for details of contingent liabilities at 30 June 2017.

CAPITAL EXPENDITURE

In the first half of 2017, the Group's total capital expenditure on property, plant and equipment and lease prepayments was HK$322 million (first half 2016: HK$286 million) and major usages are summarised as follows:

Motor Business	• Renovation of 4S dealerships in mainland China, leasehold improvement in the Hong Kong office, the acquisition of motor vehicles for demo cars and the leasing businesses in Hong Kong and mainland China
Consumer Products Business	• Fixtures and fittings, plant and equipment and logistics facilities

HK$ million	**1-6 / 2017**	1-6 / 2016	Change
Motor Business	**254**	202	52
Consumer Products Business	**54**	45	9
Other Business	**9**	30	(21)
Corporate Office	**5**	9	(4)
Total	**322**	286	36

TREASURY POLICY

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

Cash management and financing activities of operating entities in Hong Kong are centralised at the head office level to facilitate control and efficiency. Local cash pooling and cross-border cash pooling are applied in Hong Kong and mainland China for a more efficient utilisation of cash.

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

FINANCIAL REVIEW (Continued)

CASH FLOW

Summary of Condensed Consolidated Cash Flow Statement

HK$ million	**1-6 / 2017**	1-6 / 2016	Change
Operating profit before changes in working capital	**812**	814	(2)
Decrease in working capital	**238**	1,083	(845)
Cash generated from operations	**1,050**	1,897	(847)
Income tax paid	**(179)**	(109)	(70)
Net cash generated from operating activities	**871**	1,788	(917)
Net cash generated from / (used in) investing activities	**252**	(2,232)	2,484
Dividends paid to shareholders of the Company	**(68)**	(117)	49
Net cash (used in) / generated from financing activities	**(530)**	1,324	(1,854)
Net increase in cash and cash equivalents	**525**	763	(238)

Operating profit before changes in working capital

Profit before taxation was HK$429 million for the six months ended 30 June 2017 (first half 2016: HK$447 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 or loss, operating profit before changes in working capital was HK$812 million (first half 2016: HK$814 million).

Decrease in working capital

For the six months ended 30 June 2017, working capital decreased by HK$238 million which included the decrease in inventories of HK$156 million, the decrease in trade debtors and other receivables of HK$476 million, and the decrease in trade creditors and other payables of HK$394 million.

For the six months ended 30 June 2016, working capital decreased by HK$1,083 million which included the decrease in inventories of HK$191 million, the decrease in trade debtors and other receivables of HK$878 million, and the increase in trade creditors and other payables of HK$14 million.

Net cash generated from operating activities

For the six months ended 30 June 2017, cash generated from operations, after taking into account the decrease in working capital, was HK$1,050 million. Together with the tax paid of HK$179 million, net cash generated from operating activities was HK$871 million.

For the six months ended 30 June 2016, cash generated from operations, after taking into account the decrease in working capital, was HK$1,897 million. Together with the tax paid of HK$109 million, net cash generated from operating activities was HK$1,788 million.

FINANCIAL REVIEW (Continued)

Net cash generated from / (used in) investing activities

For the six months ended 30 June 2017, payment for the purchase of fixed assets was HK$346 million. After netting off the net proceeds from disposal of property, fixed assets and lease prepaid, subsidiaries of HK$707 million and net cash used in other investing activities of HK$109 million, net cash generated from investing activities was HK$252 million.

For the six months ended 30 June 2016, payment for the purchase of fixed assets and lease prepaid was HK$284 million and net cash outflow for business acquisition was HK$2,085 million. After netting off the net proceeds from disposal of property and fixed assets of HK$108 million and net cash generated from other investing activities of HK$29 million, net cash used in investing activities was HK$2,232 million.

Net cash (used in) / generated from financing activities

For the six months ended 30 June 2017, net cash used in financing activities was HK$598 million. This was mainly due to the net repayment of bank loans and other loans of HK$407 million, net cash advance to holders of non-controlling interests of HK$28 million, interest paid of HK$95 million and dividends paid to equity shareholders of the Company of HK$68 million.

For the six months ended 30 June 2016, net cash generated from financing activities was HK$1,207 million. This was mainly due to the net proceeds from bank loans and other loans of HK$1,435 million, partly offset by net cash outflow to holders of non-controlling interests of HK$21 million, interest paid of HK$90 million and dividends paid to equity shareholders of the Company of HK$117 million.

GROUP DEBT AND LIQUIDITY

The financial position of the Group at 30 June 2017 is summarised as follows:

HK$ million	**30 June 2017**	31 December 2016	Change
Total debt	**7,019**	7,424	(405)
Cash and bank deposits	**1,713**	1,160	553
Net debt	**5,306**	6,264	(958)

The original denomination of the Group's borrowings as well as cash and bank deposits by currency at 30 June 2017 is summarised as follows:

HK$ million equivalent	HKD	RMB	JPY	USD	SGD	NTD	Others	**Total**
Total debt	3,636	575	90	2,450	71	149	48	**7,019**
Cash and bank deposits	241	1,111	54	28	40	44	195	**1,713**
Net debt / (cash)	3,395	(536)	36	2,422	31	105	(147)	**5,306**

Cash and bank deposits of RMB increased due to the need to reserve cash to pay for business expansion projects in the pipeline.

FINANCIAL REVIEW (Continued)

Leverage

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

At 30 June 2017, the Group's net gearing ratio was 36.5%, compared to 41.8% at 31 December 2016.

HK$ million	**30 June 2017**	31 December 2016	Change
Net debt	**5,306**	6,264	(958)
Shareholders' funds	**9,231**	8,732	499
Total capital	**14,537**	14,996	(459)
Net gearing ratio	**36.5%**	41.8%	(5.3%)

Net debt decreased in the first half of 2017 mainly due to the repayment of bank loans and better management of internal resources to fund business development.

The effective interest rate of the Group's borrowings at 30 June 2017 was 2.2% (31 December 2016: 2.4%) with an increase in HKD and USD bank borrowings which carry a lower interest rate versus RMB bank borrowings.

Maturity Profile of Outstanding Debt

The Group actively manages its debt maturity profile based on its cash flow and refinancing ability upon debt maturity. At 30 June 2017, the borrowings were repayable as follows:

	HK$ million	% of total
Within 1 year or on demand	**2,540**	36%
After 1 year but within 2 years	**2,456**	35%
After 2 years but within 5 years	**2,023**	29%
Total	**7,019**	100%

FINANCIAL REVIEW (Continued)

Available Sources of Financing

In addition to cash and bank deposits of HK$1,713 million at 30 June 2017 (31 December 2016: HK$1,160 million), the Group had undrawn available loan facilities of HK$8,473 million (31 December 2016: HK$8,243 million), of which HK$490 million (31 December 2016: HK$390 million) was committed term loans and HK$7,983 million (31 December 2016: HK$7,853 million) was uncommitted money market lines. The Group also had available trade facilities amounting to HK$4,989 million (31 December 2016: HK$4,915 million). Borrowings by sources of financing at 30 June 2017 are summarised as follows:

HK$ million	**Total**	Utilised	Available
Committed facilities:			
Term loans and revolving loans	**6,047**	5,557	490
Uncommitted facilities:			
Money market lines	**9,394**	1,411	7,983
Trading facilities	**6,205**	1,216	4,989

These can be reconciled to the total debt at 30 June 2017 as follows:

HK$ million	**30 June 2017**	31 December 2016	Change
Utilised term loans and revolving loans	**5,557**	6,349	(792)
Utilised money market lines	**1,411**	975	436
Discounted bills and trade loans	**63**	121	(58)
Others	**(12)**	(21)	9
Total	**7,019**	7,424	(405)

PLEDGED ASSETS

At 30 June 2017, the Group's assets of HK$447 million (31 December 2016: HK$355 million) were pledged in relation to the financing of issuance of bank acceptance drafts and purchase of vehicle stock in mainland China, discounted bills in Japan and discounted bankers acceptance drafts in Malaysia.

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 2017, the Group had complied with all of the above financial covenants.

RISK MANAGEMENT

The Group has established a risk management system covering all business segments to monitor, assess and manage various risks in the Group's business activities.

The risk management system of the Group is established in line with global standards and comprises the "Three Lines of Defence" including the management of each business unit, the risk management function of the Group and the internal audit function.

The Board has identified the top risks of the Group which are summarised in a Risk Appetite Statement and determined how much risk the Board is willing to take to achieve the Group's strategic objectives. The Group has also prepared a Risk Management Policy based on the established risk appetite and conducts a regular review of operational and financial risks as reported by each business unit. Each business unit is required to identify risks on a day-to-day basis, to update the Risk Register of any major issues and to report any major risk to the Group.

Based on the risk profile of each business unit, and taking into account management control and corporate oversight at the Group level, the Audit Committee and Internal Audit function map out a risk-based internal audit plan each year.

The Finance Committee is delegated by the Board to establish or renew financial and credit facilities and undertake financial and credit transactions in accordance with the Treasury Policy of the Group. The Treasury Department of the Group is responsible for communicating and implementing the decision of the Finance Committee, monitoring the adherence of the Treasury Policy and preparing relevant reports. All business units have the responsibility to identify and effectively manage their financial risk position and report to the Group's Treasury Department on a timely basis.

FINANCIAL RISK

(1) Interest rate risk

The Group's committed bank borrowings are on a floating rate basis.

In the first half of 2017, the Group entered into a number of interest rate swaps for hedging purposes with a total notional contract amount of HK$858 million (first half 2016: HK$468 million) to reduce the impact of interest rate fluctuation on unsecured bank borrowings. These interest rate swaps will expire in 2019.

At 30 June 2017, the Group's total outstanding interest rate swaps (including those entered in previous years) had a total notional contract amount of HK$2,146 million (31 December 2016: HK$1,588 million).

At 30 June 2017, the Group had a USD / HKD cross currency swap with a notional contract amount of USD80 million to hedge the interest rate and foreign currency exposure of an unsecured bank borrowing which is denominated in US Dollars. The cross currency swap will mature in 2019 matching with the maturity and the currency of the underlying bank borrowing.

At 30 June 2017, the Group recognised interest rate swaps and cross currency swaps with the fair value of HK$3 million assets (31 December 2016: HK$10 million assets) as derivative financial instruments.

At 30 June 2017, the interest rate of 39% (31 December 2016: 25%) of committed bank borrowings were fixed by interest rate swaps. The coverage was considered appropriate.

RISK MANAGEMENT (Continued)

(2) Currency risk

For bank borrowings, the functional currency of each operating entity is generally matched with its liabilities. As such, 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 sales and purchases that are denominated in currencies other than the functional currency of the operations to which they are related. At 30 June 2017, the Group recognised foreign currency forward contracts with a fair value of HK$1 million liabilities (31 December 2016: HK$12 million liabilities) as derivative financial instruments.

In addition, certain bank borrowings denominated in Japanese Yen were designated as a hedge of the net investment in a subsidiary in Japan. The carrying amount and the fair value of these bank borrowings at 30 June 2017 was HK$84 million (31 December 2016: HK$213 million).

At 30 June 2017, the Group has reviewed its foreign hedging position and considered it appropriate.

(3) Counterparty risk in Treasury

The Group's counterparty risk in treasury is primarily related to the deposits placed with banks and the delivery ability of banks on foreign exchange and other derivatives transactions for hedging purpose.

The Group has set up limits for the banks to allow the Group to deal with appropriate counterparties whose abilities were evaluated and concentration risk addressed.

The limits were correlated to the banks' credit ratings, loan limits granted to the Group and business relationships.

(4) Liquidity risk

Liquidity risk occurs when the Group cannot meet its short-term operational and debt obligations.

The Group monitors liquidity risk by keeping the rolling base cash flow forecast for the following 12 months and comparing liquid assets with short-term liabilities.

The Group maintains an adequate level of cash together with sufficient available loan facilities in order to fulfill the requirements for normal operation, matured debt repayment and new business development.

RISK MANAGEMENT (Continued)

OPERATIONAL RISK

(1) Discontinuation of distributorship or dealership rights

The core business of the Group is to act as the distributor or dealer of motor, food, healthcare, and other consumer products. If distributorship or dealership rights are discontinued, it may have a significant impact on the business.

The Group has adopted a multi-brand and diversified market exposure approach to avoid over-reliance on one particular brand or one single market.

(2) Counterparty credit risk in operation

The Group's counterparty risk in operation mainly arises from trade debtors and other receivables billed to customers and principals respectively.

Credit risk from trade debtors arises from the sale of goods and rendering of services to customers. Due to the Group's diversified business nature, the Group maintains a relatively limited customer concentration risk.

Credit risk arising from other receivables billed to principals includes advance payments made on behalf of the principals for advertising and promotion activities. These pre-payments will be reimbursed and recoverable from the principals when proper documentation and confirmation are obtained.

The Group and relevant subsidiaries established credit policies and procedures to analyse and identify credit risks, set appropriate credit limits and controls and monitor risks on a timely basis by means of reliable management information systems. The Group performs regular updates to enhance credit policies in order to cope with the changes in markets, products and credit risk management practices.

Individual credit assessments are performed on both principals and customers to determine the suitable credit limits and terms. Regular review on credit limits and terms are also performed in order to ensure they are comparable to the credit standing of the principals, customers and the latest business environments.

(3) Accidental losses

The logistics business operates in a high risk environment, which is exposed to loss due to product damage and loss at the warehouse or during transportation and from industrial and occupational accidents due to the daily manual operation of machinery and equipment.

The Group has purchased various insurance policies to cover such risk of losses for its logistics operations. However, the Group may not be fully indemnified from severe or exceptional accidents not included in its standard insurance policies. In those occasions, losses will be borne by the Group and may materially and adversely impact the Group's business, financial position and results of operation.

RISK MANAGEMENT (Continued)

(4) Inventory obsolescence risk

The range of products that the Group sells include perishable food commodities and FMCG products which have a limited shelf life. These products require specific storage conditions to maintain quality and carry a risk of obsolescence and reduced value.

In situations where the Group purchases products from principals and distributes the products to wholesalers, retail outlets and the food service industry, the Group faces inventory obsolescence risk since changes in consumer trends may lead to substantial changes in demand. Overstocking, poor demand or returned goods from customers can result in inventory obsolescence.

In addition, the models for motor vehicles and electrical appliances distributed by the Group are constantly changing, depending on the research and development of the principals or manufacturers of these products. Any release of new product models will increase the risk of obsolescence for existing products and models. Accordingly, any unpredicted and unusual change in consumer demand can adversely affect the Group's performance.

The Group has established policies and guidelines to ensure every business unit reviews its stock level and prepares action plans as needed for stock clearance on a monthly basis. Progress on stock clearance is monitored and followed closely by both financial control and business unit management. Stock count policies requiring full counts and cycle counts have been set up to control the accuracy of the stock record. In addition, proper authorisation hierarchy and limits have been implemented to manage stock purchase functions within the group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As part of our commitment to the highest level of corporate citizenship, DCH embraces sustainable and responsible business practices that positively impact all stakeholders including shareholders, customers, business partners, employees, the environment and our community. In the first half of 2017, the Group continued to provide a positive working environment for staff, encourage a green culture, actively support the community and promote a high standard of governance.

TALENT MANAGEMENT AND DEVELOPMENT

In alignment with business growth and management objectives, DCH fosters a strong working culture by promoting employee well-being, providing fair opportunities and building a platform for growth and development. At 30 June 2017, the Group had a total of 17,169 employees, with 10,517 in mainland China, 4,702 in Hong Kong and Macao and 1,950 in other locations, including Japan, Taiwan, Singapore, Myanmar, Indonesia, Malaysia, Brunei, Thailand and the Philippines. The number of employees decreased by 6.2% as of December 2016 and decreased by 3.8% as of June 2016. This reduction in headcount is due to the merging of the LF Asia consumer products business with DCH and the reorganization of motor business in Mainland China.

Location	June 2017	December 2016	June 2016	June 2017 vs. December 2016	June 2017 vs. June 2016
Mainland China	10,517	11,234	11,302	-6.4%	-6.9%
Hong Kong & Macao	4,702	4,825	4,872	-2.5%	-3.5%
Other Locations	1,950	2,249	1,682	-13.3%	15.9%
Total	17,169	18,308	17,856	-6.2%	-3.8%

The Group offers competitive compensation and benefits to attract, motivate and retain talent. An annual review of these programs is conducted to ensure market competitiveness; mid-year reviews are also implemented for selected functions and individuals in response to market and labour conditions. The Group embraces the principle of "pay for performance" and has linked rewards to the achievement of key performance indicators, incentivising employees to work towards company objectives.

Understanding the important relationship between employee wellness and engagement, the Group continues its efforts to organize social, recreational and wellness activities for employees and their family members to enrich work and family life. As a part of the Group's commitment to employee safety and health, regular reviews and audits are performed in accordance with the statutory and industry requirements.

Talent development and retention are fundamental to continued success. DCH provides a wide range of internal and external training courses to employees. At 30 June 2017, more than 17,000 participants attended training programs, including leadership, technical, soft skills and ethics training. To promote a company-wide culture of operational excellence and integrity, DCH organised sessions on "Competition Ordinance" and "Anti-corruption," as well as a series of "Risk Management" workshops in the first half of 2017.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (Continued)

ENVIRONMENTAL INITIATIVES

DCH is dedicated to promoting sustainability with a variety of environmental initiatives focused on recycling, energy efficiency, food cycle management and reforestation. We encourage employees to embrace the principles of "Reduce, Reuse, Recycle and Replace" in all offices and across our business operations.

As an original pilot company of the Green Office Awards Labelling Scheme (GOALS), DCH maintains the World Green Organization's Green Office Label in recognition of our actions to reduce our energy consumption and carbon footprint. Additionally, DCH holds Wastewi$e, and IAQwi$e accolades from the Hong Kong Awards for Environmental Excellence and a platinum award as a signatory of the inaugural Charter on External Lighting for our efforts to minimize the company's environmental impact. DCH also participated in the government-supported FoodEver WasteNever Programme and garnered two awards for establishing channels to advocate food waste reduction.

The Group initiated several volunteering activities in the first half of 2017 designed to promote environmental awareness and sustainability. In March, DCH Motor Club held the 11th Annual Tree Planting event, bringing together more than 800 volunteers to plant hundreds of trees in Shenzhen. As part of the "Love Garden Gathering" DCH volunteers in Shanghai, Nanjing and Jiaxing planted vegetable gardens outside of DCH businesses to grow healthy donations for the social welfare service unit. In Hong Kong, volunteers planted vegetables for donation with the Produce Green Foundation to promote sustainable living.

COMMUNITY ENGAGEMENT

Caring for others is an integral part of the corporate culture of DCH and the Group fully embraces its responsibility to support local communities. DCH staff are encouraged to join the DCH Volunteer Team with chapters in Hong Kong, Southern China, Eastern China, Yunnan, Jiangzhong, Taiwan, Thailand and Malaysia and more than 1,000 members donating over 5,000 annual service hours.

Since 2006, DCH has leveraged its food supply expertise to donate rice for Oxfam's charity rice sale. This year, DCH donated 10 tons of rice to Oxfam and managed public sales booths to promote the program. The company continued its dedication to the Mobile Classroom project in partnership with YMCA, using donated mini-vans to teach children and villagers in remote areas of Sichuan and Yunnan. In Nanjing, Beijing, Chengdu and Jingan, DCH Volunteer teams supported orphaned children and migrant workers by providing much needed resources, care and support.

Recognizing the company's continued commitment to corporate social responsibility, DCH was awarded "The 7th Hong Kong Outstanding Corporate Citizenship Awards" organized by the Hong Kong Productivity Council and the Caring Company +10 Years logo. DCH also holds the first SBC Logo Award organized by the Community Investment and Inclusion Fund of the Labour and Welfare Bureau in honor of the Group's outstanding efforts in developing social capital.

A NEW ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDELINE

Fully supporting the inclusion of the Environmental, Social and Governance ("ESG") report as established by The Stock Exchange of Hong Kong Limited ("Stock Exchange"), DCH has included an ESG section in its financial reports since January 2012. In preparation to comply with the expanded 2017 requirements, DCH has established an internal committee and implemented policies to collect data on key environmental performance indicators including information on emission levels, water consumption and electricity consumption. Accordingly, the 2017 Annual ESG report will contain quantifiable disclosures to provide stakeholders a more transparent and comprehensive overview of the environmental impact of DCH businesses.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (Continued)

CORPORATE GOVERNANCE

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

DCH is committed to maintaining high standards of corporate governance. The Board believes that good corporate governance practices are important to promote investor confidence and protect the interest of our shareholders. Looking ahead, we will keep our corporate governance practices under continual review to ensure their consistent application and will continue to improve our practices having regard to the latest developments. Details of our corporate governance practices can be found in the Annual Report 2016 and on DCH's website at www.dch.com.hk.

Save as disclosed below, DCH has applied the principles and complied with all code provisions of the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 June 2017. In respect of code provision A.6.7 of the CG Code, Mr. Fei Yiping (a non-executive director) was not able to attend the annual general meeting of DCH held on 22 May 2017 due to pre-arranged business engagements which had to be attended.

REVIEW OF INTERIM REPORT

The Audit Committee of the Board, consisting of five independent non-executive directors, has reviewed the Interim Report 2017 with the management, internal and external auditors and recommended its adoption by the Board.

The interim financial report is prepared in accordance with HKAS 34, "Interim Financial Reporting". It has been reviewed by DCH's independent auditor KPMG in accordance with the Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

HK$ million	Note	Unaudited Six months ended 30 June 2017	2016
Revenue	2(a)	**23,044**	20,121
Cost of sales		**(20,159)**	(17,727)
Gross profit		**2,885**	2,394
Other net income	3	**430**	378
Selling and distribution expenses		**(1,901)**	(1,412)
Administrative expenses		**(913)**	(839)
Profit from operations		**501**	521
Net gain on remeasurement of investment properties	9	**1**	5
Finance costs	4(a)	**(96)**	(91)
Share of profit after tax of associates		**11**	3
Share of profit after tax of joint ventures		**12**	9
Profit before taxation	4	**429**	447
Income tax	5	**(151)**	(201)
Profit for the period		**278**	246
Attributable to:			
Shareholders of the Company		**232**	220
Non-controlling interests		**46**	26
		278	246
Basic and diluted earnings per share (HK cents)	7	**12.66**	12.01

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

HK$ million	Unaudited Six months ended 30 June 2017	2016
Profit for the period	**278**	246
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of entities outside Hong Kong:		
– subsidiaries	**341**	(164)
– associates and joint ventures	**12**	(13)
Effect on cash flow hedge, net of tax	**1**	–
Reserves released upon disposal of a subsidiary	**6**	–
Items that will not be reclassified to profit or loss:		
Revaluation gain recognised upon transfer from property, plant and equipment and lease prepayments to investment properties, net of tax	**–**	10
Other comprehensive income / (loss) for the period, net of tax	**360**	(167)
Total comprehensive income for the period	**638**	79
Attributable to:		
Shareholders of the Company	**570**	65
Non-controlling interests	**68**	14
	638	79

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

HK$ million	Note	Unaudited 30 June 2017	Audited 31 December 2016
Non-current assets			
Property, plant and equipment	8	**3,385**	3,318
Investment properties	9	**222**	215
Lease prepayments	10	**507**	499
Intangible assets	11	**1,070**	1,154
Goodwill	12	**2,426**	2,403
Interests in associates		**199**	175
Interests in joint ventures		**261**	364
Other non-current assets		**672**	464
Deferred tax assets		**104**	102
		8,846	8,694
Current assets			
Inventories	13	**7,157**	7,161
Asset held for sale	14	**–**	366
Trade debtors and other receivables	15	**7,431**	8,013
Current tax recoverable		**21**	21
Cash and bank deposits		**1,713**	1,160
		16,322	16,721
Current liabilities			
Borrowings	16	**2,540**	2,357
Trade creditors and other payables	17	**7,613**	7,918
Put option written on non-controlling interest		**176**	–
Current tax payable		**299**	156
		10,628	10,431
Net current assets		**5,694**	6,290
Total assets less current liabilities		**14,540**	14,984
Non-current liabilities			
Borrowings	16	**4,479**	5,067
Other non-current liabilities		**64**	75
Put option written on non-controlling interest		**9**	176
Deferred tax liabilities		**267**	422
		4,819	5,740
Net assets		**9,721**	9,244
Capital and reserves			
Share capital	18(a)	**1,477**	1,477
Other reserves		**7,754**	7,255
Total equity attributable to shareholders of the Company		**9,231**	8,732
Non-controlling interests		**490**	512
Total equity		**9,721**	9,244

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

HK$ million		Attributable to shareholders of the Company												
Unaudited		Share capital	General reserve	Capital reserve	Statutory surplus reserve	Merger reserve	Share option reserve	Exchange fluctuation reserve	Asset revaluation reserve	Hedging reserve	Retained profits	Total	Non-controlling interests	Total equity
Six months ended 30 June 2017	Note	(18(a))	(18(b))											
At 1 January 2017		1,477	86	143	88	(43)	80	(455)	37	(9)	7,328	8,732	512	9,244
Profit for the period		–	–	–	–	–	–	–	–	–	232	232	41	273
Other comprehensive income		–	–	–	–	–	–	337	–	1	–	338	22	360
Total comprehensive income for the period		–	–	–	–	–	–	337	–	1	232	570	63	633
Transfer to retained profits	18(b)	–	(64)	–	–	–	–	–	–	–	64	–	–	–
Disposal of a subsidiary		–	–	–	(1)	–	–	–	–	–	1	–	(6)	(6)
Share-based payments	4(b)	–	–	–	–	–	(3)	–	–	–	–	(3)	–	(3)
Lapse of share options		–	–	–	–	–	(50)	–	–	–	50	–	–	–
Dividends	6(b)	–	–	–	–	–	–	–	–	–	(68)	(68)	–	(68)
Dividends to holders of non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	(79)	(79)
At 30 June 2017		1,477	22	143	87	(43)	27	(118)	37	(8)	7,607	9,231	490	9,721

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

HK$ million Unaudited Six months ended 30 June 2016	Note	Share capital (18(a))	General reserve (18(b))	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 2016		1,477	67	143	82	(43)	78	179	26	7,038	9,047	441	9,488
Profit for the period		–	–	–	–	–	–	–	–	220	220	21	241
Other comprehensive (loss) / income		–	–	–	–	–	–	(165)	10	–	(155)	(12)	(167)
Total comprehensive (loss) / income for the period		–	–	–	–	–	–	(165)	10	220	65	9	74
Tax indemnity from an intermediate holding company	5, 18(b)	–	22	–	–	–	–	–	–	–	22	–	22
Fair value adjustment on put option written on non-controlling interest		–	(3)	–	–	–	–	–	–	–	(3)	–	(3)
Capital injection from holders of non-controlling interests		–	–	–	–	–	–	–	–	–	–	2	2
Business combination		–	–	–	–	–	–	–	–	–	–	33	33
Share-based payments	4(b)	–	–	–	–	–	4	–	–	–	4	–	4
Lapse of share options		–	–	–	–	–	(1)	–	–	1	–	–	–
Dividends	6(b)	–	–	–	–	–	–	–	–	(117)	(117)	–	(117)
Dividends to holders of non-controlling interests		–	–	–	–	–	–	–	–	–	–	(27)	(27)
At 30 June 2016		1,477	86	143	82	(43)	81	14	36	7,142	9,018	458	9,476

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

		Unaudited Six months ended 30 June	
HK$ million	Note	**2017**	2016
Profit before taxation		**429**	447
Adjustment for non-cash and non-operating items		**383**	367
Operating profit before changes in working capital		**812**	814
Changes in working capital:			
– Decrease in inventories		**156**	191
– Decrease in trade debtors and other receivables		**476**	878
– (Decrease) / increase in trade creditors and other payables		**(394)**	14
Cash generated from operations		**1,050**	1,897
Income tax paid		**(179)**	(109)
Net cash generated from operating activities		**871**	1,788
Net cash generated from / (used in) investing activities:			
– Net cash outflow for business combination		**(91)**	(2,085)
– Net cash inflow from disposal of subsidiaries		**264**	–
– Other investing activities		**79**	(147)
Net cash (used in) / generated from financing activities:			
– Dividends paid to shareholders of the Company		**(68)**	(117)
– Interest paid		**(95)**	(90)
– Net (repayment) / proceeds from drawdown of bank borrowings and other loans		**(407)**	1,435
– Other financing activities		**(28)**	(21)
Net increase in cash and cash equivalents		**525**	763
Cash and cash equivalents at 1 January		**1,042**	909
Effect of foreign exchange rates changes		**35**	(5)
Cash and cash equivalents at 30 June		**1,602**	1,667
Analysis of the balances of cash and cash equivalents:			
Cash and bank deposits		**1,713**	2,068
Less:			
Pledged bank deposits	16	**(88)**	(99)
Bank overdrafts	16	**(23)**	(302)
		1,602	1,667

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Basis of preparation

The condensed consolidated interim financial statements comprise Dah Chong Hong Holdings Limited ("the Company") and its subsidiaries (collectively referred to as "the Group") and the Group's interests in associates and joint ventures.

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 2016.

The accounting policies used in preparation of these condensed interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2016, except for the adoption of all relevant revised Hong Kong Financial Reporting Standards ("HKFRSs") and HKASs, amendments and interpretations, which are effective for the current accounting period.

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period. Adoption of these developments 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. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The preparation of these condensed consolidated interim financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

These condensed consolidated interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2016 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

These condensed consolidated interim financial statements are unaudited, but have 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 HKICPA. KPMG's independent review report to the Board of Directors is included on page 47.

The financial information relating to the financial year ended 31 December 2016 that is included in these condensed consolidated 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. Further information relating to those statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance. The Company's auditor has reported on those financial statements.

The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

2. Segment reporting

The Group manages its businesses by business line and geographical location. In a manner consistent with the way the information is reported internally to the Group's senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following reportable segments:

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

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

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

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

During the six months ended 30 June 2017, the Group has adopted a new presentation in segment reporting of Consumer Products Business resulted from realignment of business segments in reports to the Group's senior executive management (see note 2(a)).

(iii) Other Businesses

Other businesses include small operating segments namely property business, and other miscellaneous business where the revenue from these segments is below the quantitative threshold for determining a reportable segment.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

2. Segment reporting (continued)

(a) Segment results

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

HK$ million	Motor Business				Consumer Products Business (Note)						
Unaudited Six months ended 30 June 2017	**Hong Kong & Macao**	**Mainland China**	**Other Markets**	**Sub-total**	**Hong Kong & Macao**	**Mainland China**	**Other Markets**	**Sub-total**	**Other Businesses**	**Inter-segment elimination**	**Total**
Revenue from external customers	2,616	11,504	918	15,038	4,306	2,244	1,444	7,994	12	–	23,044
Inter-segment revenue	3	–	–	3	–	–	–	–	47	(50)	–
Segment revenue	2,619	11,504	918	15,041	4,306	2,244	1,444	7,994	59	(50)	23,044
Segment result from operations	151	275	70	496	143	(44)	22	121	26	–	643
Share of profit after tax of associates	–	4	–	4	–	7	–	7	–	–	11
Share of profit after tax of joint ventures	–	9	–	9	–	–	–	–	3	–	12
Segment profit / (loss) before taxation	151	288	70	509	143	(37)	22	128	29	–	666
Segment income tax	(33)	(91)	(16)	(140)	(20)	–	(12)	(32)	(6)	–	(178)
Segment profit / (loss) after taxation	118	197	54	369	123	(37)	10	96	23	–	488

HK$ million	Motor Business				Consumer Products Business (Note)						
Unaudited Six months ended 30 June 2016	Hong Kong & Macao	Mainland China	Other Markets	Sub-total	Hong Kong & Macao	Mainland China	Other Markets	Sub-total	Other Businesses	Inter-segment elimination	Total
Revenue from external customers	2,871	11,264	1,191	15,326	2,574	1,931	272	4,777	18	–	20,121
Inter-segment revenue	2	–	–	2	–	1	–	1	57	(60)	–
Segment revenue	2,873	11,264	1,191	15,328	2,574	1,932	272	4,778	75	(60)	20,121
Segment result from operations	306	141	100	547	119	(56)	(6)	57	39	–	643
Share of profit after tax of associates	–	2	–	2	–	1	–	1	–	–	3
Share of profit after tax of joint ventures	–	6	–	6	–	–	–	–	3	–	9
Segment profit / (loss) before taxation	306	149	100	555	119	(55)	(6)	58	42	–	655
Segment income tax	(53)	(64)	(20)	(137)	(19)	(9)	–	(28)	(4)	–	(169)
Segment profit / (loss) after taxation	253	85	80	418	100	(64)	(6)	30	38	–	486

Note: As a result of realignment of business segments in reports to the Group's senior executive management, the results from the distribution of consumer and healthcare products business conducted by LF Distribution Holding Limited and its subsidiaries acquired on 30 June 2016 has been included in "Consumer Products Business" for the six months ended 30 June 2017. Its results for July to December 2016 were presented as a separate operating segment in our 2016 annual financial statements. Thus, apart from "Motor Business", segment result for the six months ended 30 June 2017 is not comparable to that for the same period of 2016.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

2. Segment reporting (continued)

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

HK$ million	Note	Unaudited Six months ended 30 June **2017**	2016
Segment profit after taxation		**488**	486
Net gain on remeasurement of investment properties	9	**1**	5
Net fair value gain / (loss) on foreign currency forward contracts	3	**1**	(4)
Net fair value loss on interest rate swaps		**–**	(1)
Net provision of impairment loss on			
– intangible assets	4(b),11	**(20)**	(3)
– goodwill	4(b),12	**–**	(2)
Share-based payments	4(b)	**3**	(4)
Amortisation and depreciation of fair value adjustments on assets arising from business combinations		**(39)**	(32)
Direct costs incurred for business combination	*(i)*	**–**	(21)
Unallocated corporate expenses		**(183)**	(146)
Reconciliation items before taxation		**(237)**	(208)
Tax impact:			
Additional assessments on certain commission income for prior years	5	**–**	(38)
Net tax effect on the above reconciliation items		**27**	6
Reconciliation items net of taxation		**(210)**	(240)
Profit for the period		**278**	246

Note:

(i) These costs were included in "administrative expenses" in the consolidated statement of profit or loss.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

3. Other net income

HK$ million	Unaudited Six months ended 30 June 2017	2016
Handling and service charge income	**170**	145
Commission income	**141**	126
Advertising and other subsidies from suppliers	**61**	52
Interest income from bank deposits	**6**	5
Government subsidies	**4**	3
Forfeited deposit from customers	**2**	4
Net gain on disposal of subsidiaries	**12**	5
Net gain on disposal of property, plant and equipment	**1**	3
Net fair value gain / (loss) on foreign currency forward contracts	**1**	(4)
Net exchange (loss) / gain	**(1)**	8
Others	**33**	31
Total	**430**	378

4. Profit before taxation

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

HK$ million	Unaudited Six months ended 30 June 2017	2016
(a) Finance costs		
Interest on bank advances and other borrowings	**96**	91
(b) Other items		
Amortisation		
– lease prepayments	**7**	7
– intangible assets	**35**	27
Depreciation	**232**	239
Write-down of inventories	**76**	39
Reversal of write-down of inventories	**(63)**	(9)
Share-based payments	**(3)**	4
Net provision of impairment losses on		
– intangible assets	**20**	3
– goodwill	**–**	2
– trade debtors and other receivables	**2**	7

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

5. Income tax

Hong Kong Profits Tax is calculated at 16.5% (2016: 16.5%) based 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.

	Unaudited Six months ended 30 June	
HK$ million	**2017**	2016
Current tax		
– Hong Kong Profits Tax (Note)	**43**	109
– Outside Hong Kong	**252**	76
	295	185
Deferred tax		
– Origination and reversal of temporary differences	**(164)**	(13)
– Net recognition / utilisation of deferred tax assets on tax losses	**–**	18
	(164)	5
Withholding tax	**20**	11
Total	**151**	201

Note: During the six months ended 30 June 2016, the Hong Kong Inland Revenue Department raised additional assessments on certain commission income for prior years. This tax case was settled with an additional tax charge of HK$38 million. In accordance with a Deed of Indemnity dated 28 September 2007, CITIC Limited agreed to indemnify the Group in respect of taxation claims if such claims subsisted prior to the listing of the Company on 17 October 2007. In this respect, HK$22 million was recovered from CITIC Limited and the amount was credited to general reserve (Note 18(b)).

6. Dividends

(a) Dividends payable to equity shareholders of the Company attributable to the interim period

	Unaudited Six months ended 30 June	
HK$ million	**2017**	2016
Interim dividend declared after the interim period of 5.05 HK cents (2016: 4.75 HK cents) per share	**93**	87

The interim dividend declared after the end of the reporting period has not been recognised as a liability at 30 June 2016 and 2017.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the interim period

	Unaudited Six months ended 30 June	
HK$ million	**2017**	2016
Final dividend approved and paid of 3.69 HK cents (2016: 6.40 HK cents) per share	**68**	117

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

7. Earnings per share

(a) Basic earnings per share

The basic earnings per share for the six months ended 30 June 2017 is based on the profit attributable to shareholders of the Company of HK$232 million (2016: HK$220 million) and the weighted average number of 1,832,133,000 (2016: 1,832,133,000) ordinary shares in issue during the period.

(b) Diluted earnings per share

The diluted earnings per share for the six months ended 30 June 2016 and 2017 are the same as basic earnings per share as the potential ordinary shares in respect of outstanding share options are anti-dilutive.

8. Property, plant and equipment

HK$ million	**Unaudited 30 June 2017**	Audited 31 December 2016
Opening net book value	**3,318**	3,485
Exchange adjustments	**88**	(171)
Additions	**322**	611
Business combination	**–**	243
Amortisation capitalised in construction in progress (Note 10)	**1**	1
Transfer to investment properties	**–**	(16)
Transfer to inventories	**(21)**	(7)
Disposal of a subsidiary	**(2)**	(114)
Disposals and written-off	**(89)**	(212)
Depreciation	**(232)**	(496)
Impairment loss	**–**	(6)
Closing net book value	**3,385**	3,318

9. Investment properties

HK$ million	**Unaudited 30 June 2017**	Audited 31 December 2016
Opening net book value	**215**	384
Exchange adjustments	**6**	–
Net gain on remeasurement	**1**	3
Transfer from property, plant and equipment and lease prepayments	**–**	40
Transfer to asset held for sale	**–**	(178)
Disposal of a subsidiary	**–**	(34)
Closing net book value	**222**	215

Note: The valuations of investment properties carried at fair value were revalued at 30 June 2017 by the Group's independent valuer using the same valuation techniques as were used by these valuers when carrying out the December 2016 valuations.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

10. Lease prepayments

HK$ million	**Unaudited 30 June 2017**	Audited 31 December 2016
Opening net book value	**499**	568
Exchange adjustments	**16**	(41)
Additions	**–**	1
Business combination	**–**	69
Amortisation	**(7)**	(16)
Amortisation capitalised in construction in progress (Note 8)	**(1)**	(1)
Transfer to investment properties	**–**	(6)
Disposal of a subsidiary	**–**	(75)
Closing net book value	**507**	499

11. Intangible assets

HK$ million	**Unaudited 30 June 2017**	Audited 31 December 2016
Opening net book value	**1,154**	866
Exchange and other adjustments	**4**	(38)
Business combination	**10**	401
Amortisation	**(35)**	(69)
Disposal of a subsidiary	**(43)**	–
Impairment loss	**(20)**	(6)
Closing net book value	**1,070**	1,154

12. Goodwill

HK$ million	**Unaudited 30 June 2017**	Audited 31 December 2016
Opening net book value	**2,403**	636
Exchange and other adjustments	**12**	(3)
Business combination	**11**	1,775
Impairment loss	**–**	(5)
Closing net book value	**2,426**	2,403

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

13. Inventories

HK$ million	**Unaudited 30 June 2017**	Audited 31 December 2016
Finished goods	**7,065**	7,079
Raw materials	**73**	72
Work-in-progress	**19**	10
Total	**7,157**	7,161

14. Asset held for sale

In October 2016, an investment property situated in Japan with the carrying amount of HK$178 million was reclassified as an asset held for sale following the Group's plan to dispose of the property. The fair value of the property was HK$366 million as at 31 December 2016. The disposal was completed in January 2017 with no further gain or loss.

15. Trade debtors and other receivables

HK$ million	**Unaudited 30 June 2017**	Audited 31 December 2016
Trade debtors and bills receivable	**4,160**	4,714
Less: Provision for impairment of trade debtors	**(54)**	(89)
	4,106	4,625
Other receivables, deposits and prepayments	**2,889**	3,129
Finance lease receivables	**747**	567
Gross amount due from customers for contract work	**12**	7
Amounts due from fellow subsidiaries	**1**	1
Amounts due from associates	**5**	5
Amounts due from joint ventures	**1**	–
Amounts due from holders of non-controlling interests	**74**	55
Derivative financial instruments	**10**	15
	7,845	8,404
Less: Non-current finance lease receivables	**(414)**	(352)
Non-current trade debtors	**–**	(39)
Total	**7,431**	8,013

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

15. Trade debtors and other receivables (continued)

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

HK$ million	**Unaudited 30 June 2017**	Audited 31 December 2016
Within 3 months	**3,597**	4,121
More than 3 months but within 1 year	**336**	423
Over 1 year	**173**	81
Total	**4,106**	4,625

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

Reportable segments	**Credit terms in general**
Motor Business	Cash on delivery to 90 days
Consumer Products Business	Cash on delivery to 105 days

16. Borrowings

HK$ million	**Unaudited 30 June 2017**	Audited 31 December 2016
Bank loans	**6,744**	7,223
Bank overdrafts	**23**	45
Other loans	**252**	156
Total	**7,019**	7,424

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 2017**	Audited 31 December 2016
Inventories	**233**	170
Bank deposits	**88**	73
Trade debtors and other receivables	**60**	47
Lease prepayments	**40**	39
Property, plant and equipment	**26**	26
Total	**447**	355

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

17. Trade creditors and other payables

HK$ million	**Unaudited 30 June 2017**	Audited 31 December 2016
Trade creditors and bills payable	**3,696**	3,889
Other payables and accrued charges	**3,473**	3,663
Gross amount due to customers for contract work	**4**	9
Amounts due to associates	**54**	17
Amounts due to joint ventures	**4**	10
Amounts due to holders of non-controlling interests	**296**	242
Provision for product rectification	**78**	71
Derivative financial instruments	**8**	17
Total	**7,613**	7,918

The ageing analysis of trade creditors and bills payable based on due date is as follows:

HK$ million	**Unaudited 30 June 2017**	Audited 31 December 2016
Current or within 1 month	**3,489**	3,552
More than 1 month but within 3 months	**145**	266
More than 3 months but within 6 months	**32**	51
Over 6 months	**30**	20
Total	**3,696**	3,889

18. Capital and reserves

(a) Share capital

	Unaudited 30 June 2017		Audited 31 December 2016	
	Number of shares (in million)	**HK$ million**	Number of shares (in million)	HK$ million
Ordinary shares, issued and fully paid:				
At 1 January / 30 June / 31 December	**1,832**	**1,477**	1,832	1,477

(b) General reserve

During the six months ended 30 June 2017, general reserve of HK$64 million was transferred to retained profits upon payment of dividend from a subsidiary in Japan.

During the six months ended 30 June 2016, the general reserve was credited by HK$22 million in respect of tax indemnity from an intermediate holding company (Note 5) and was debited by HK$3 million for the fair value adjustment on put option written on non-controlling interest.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

19. Capital commitments

Capital commitments outstanding at the end of the reporting period not provided for in the financial statements are as follows:

HK$ million	**Unaudited 30 June 2017**	Audited 31 December 2016
Contracted for		
– Capital expenditures	**241**	267
Authorised but not contracted for		
– Capital expenditures	**148**	178

20. Fair value of financial instruments

(a) Financial instrument carried at fair value

Fair value hierarchy

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 2016 and 30 June 2017, the outstanding foreign currency forward contracts, interest rate swaps and cross currency swaps of the Group fall into Level 2, while the put options written on non-controlling interests arising from certain acquisitions fall 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 swaps and put options written on non-controlling interests. All financial instruments are carried at amounts not materially different from their fair values at 31 December 2016 and 30 June 2017 except for the amounts due from / to fellow subsidiaries, associates, joint ventures and holders of non-controlling interests which are recoverable / repayable on demand. Given these terms, it is not meaningful to disclose the fair value of such balances.

Foreign currency forward contracts are marked to market using the foreign exchange forward rates ruling at the end of the reporting period.

The fair values of interest rate swaps and cross currency swaps are the estimated amounts that the Group would receive or pay to terminate the swaps at the end of the reporting period, taking into account current interest rates, exchange rates and the current creditworthiness of the swap counter parties.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

20. Fair value of financial instruments (continued)

(b) Fair value measurements (continued)

The fair value of put options written on non-controlling interests is an estimated amount of the put option exercise price which is calculated pursuant to the terms of the share purchase agreement for acquisitions. The fair value measurement requires estimation of post-acquisition profits and judgement on the time value of money. The estimated sales growth rates is the significant unobservable input used in fair value measurement. The estimated sales growth rates range from 3.6% to 11.5% per annum (31 December 2016: range from 3.6% to 11.5% per annum). The fair value measurement is positively correlated to the sales growth rates.

21. Contingent liabilities

(a) At the end of the reporting period, the Group has issued guarantees to banks in respect of banking facilities of HK$75 million (31 December 2016: HK$75 million) granted to and utilised by an associate of HK$33 million (31 December 2016: HK$33 million).

(b) The Group has issued a guarantee of EUR1.2 million at 30 June 2017 and 31 December 2016 to a trade creditor of an associate.

(c) At the end of the reporting period, the Group has issued guarantees to a bank in respect of banking facilities of RMB33 million granted to a former subsidiary. The guarantee was not utilised as at the end of the reporting period and was terminated in July 2017.

22. Material related party transactions

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

(a) Recurring transactions

	Unaudited Six months ended 30 June	
HK$ million	**2017**	2016
Purchases from associates	**157**	135
Rental expenses to fellow subsidiaries	**107**	107

(b) Operating lease commitments with fellow subsidiaries

At the end of the reporting period, the Group's total future minimum lease payments on properties under non-cancellable operating leases with subsidiaries of CITIC Group Corporation which are payable as follows:

HK$ million	**Unaudited 30 June 2017**	Audited 31 December 2016
Within 1 year	**192**	209
After 1 year but within 5 years	**–**	86
Total	**192**	295

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

22. Material related party transactions (continued)

(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. Non-adjusting events after the reporting period

In July 2017, the Group has entered into two equity transfer transaction master agreements with independent third parties which conditionally agreed to acquire equity interests in Mercedes Benz and Audi dealership companies in mainland China at a consideration of RMB807.7 million (equivalent to approximately HK$930.6 million) and RMB113.1 million (equivalent to approximately HK$130.3 million) respectively, both subject to adjustments. The Group is in the process of engaging an independent professional valuer to identify and measure the assets acquired and the liabilities assumed. The fair value of net assets acquired will be available upon the completion of the valuation.

24. Possible impact of amendments, new standards and interpretations issued but not yet effective for the six months ended 30 June 2017

A number of amendments and new standards are effective for annual periods beginning after 1 January 2017 and earlier application is permitted; however, the Group has not early adopted any new or amended standards in preparing these condensed consolidated financial statements.

The Group has the following updates to the information provided in the last annual financial statements about the possible impacts of the new standards issued but not yet effective which may have a significant impact on the Group's consolidated financial statements:

HKFRS 15, *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, *Revenue*, which covers revenue arising from sale of goods and rendering of services. The Group is currently assessing the impacts of adopting HKFRS 15 on its financial statements. Based on the preliminary assessment, the Group has identified the following areas which are likely to be affected:

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

24. Possible impact of amendments, new standards and interpretations issued but not yet effective for the six months ended 30 June 2017 (continued)

HKFRS 15, *Revenue from contracts with customers* (continued)

(a) Timing of revenue recognition

Currently, revenue arising from the provision of services is recognised over time, whereas revenue from the sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(b) When the entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced;

(c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

As a result of this change from the risk-and-reward approach to the contract-by-contract transfer-of-control approach, it is possible that once the Group adopts HKFRS 15 some of the Group's contracts that are currently recognised at a point in time may meet the HKFRS 15 criteria for revenue recognition over time. This will depend on the terms of the sales contract and the enforceability of any specific performance clauses in that contract, which may vary depending on the jurisdiction in which the contract would be enforced. It is also possible that for the remainder of the Group's contracts the point in time when revenue is recognised may be earlier or later than under the current accounting policy. However, further analysis is required to determine whether this change in accounting policy may have a material impact on the amounts reported in any given financial reporting period.

(b) Principal versus agent considerations

Currently, the principal versus agent determination is based on risk-and-reward approach, whereas revenue is recognised on a gross basis as a principal in the transaction when the entity has exposure to the significant risks and rewards associated with the sales of goods or the rendering of services. If an entity is determined as an agent in a transaction, revenue of the transaction is recognised on a net basis.

Under HKFRS 15, revenue recognition is subject to transfer of control as mentioned above. An entity is considered as a principal when the entity has control over specified goods or services in advance of transferring them to the customers.

As a result of this change from the risk-and-reward approach to the contract-by-contract transfer-of-control approach, it is possible that the principal versus agent determination for some of the Group's contract may change. Further analysis is required to determine whether this change in accounting policy may have a material impact on the amounts reported in any given financial reporting period.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

24. Possible impact of amendments, new standards and interpretations issued but not yet effective for the six months ended 30 June 2017 (continued)

HKFRS 15, *Revenue from contracts with customers* (continued)

(c) Sales with a right of return

Currently when the customers are allowed to return the products, the Group estimates the level of returns and makes an adjustment against revenue and cost of sales.

The Group expects that the adoption of HKFRS 15 will not materially affect how the Group recognises revenue and cost of sales when the customers have a right of return. However, the new requirement to recognise separately a return asset for the products expected to be returned will impact the presentation in the consolidated statement of financial position as the Group currently adjusts the carrying amounts of inventory for the expected returns, instead of recognising a separate asset.

HKFRS 16, *Leases*

Currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. At 30 June 2017 the Group's future minimum lease payments under non-cancellable operating leases amount to HK$2,757 million, the majority of which is payable either between 1 and 5 years after the reporting date or in more than 5 years. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group has decided not to early adopt HKFRS 16 in its 2018 consolidated financial statements.

25. Holding companies

At 30 June 2017, 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 46 which comprises the consolidated statement of financial position of Dah Chong Hong Holdings Limited as of 30 June 2017 and the related consolidated statement of profit or loss, 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 2017 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

23 August 2017

STATUTORY DISCLOSURE

DIVIDEND AND CLOSURE OF REGISTER

The board of directors of DCH (the "Board") has declared an interim dividend of 5.05 HK cents per share (2016: 4.75 HK cents) for the year ending 31 December 2017 to shareholders whose names appear on the Register of Members of DCH on Wednesday, 13 September 2017. The interim dividend will be payable in cash, with an option granted to shareholders to receive the interim dividend in the form of new shares in lieu of cash in respect of part or all of such dividend. The new shares to be issued pursuant to the scrip dividend scheme (the "Scrip Dividend Scheme") are subject to their listing being granted by the Listing Committee of Stock Exchange. A circular containing details of the Scrip Dividend Scheme will be despatched to shareholders together with the form of election for scrip dividend on or about 20 September 2017. It is expected that the dividend warrants and certificates for the scrip shares will be despatched to shareholders on Tuesday, 24 October 2017.

The Register of Members of DCH will be closed from Monday, 11 September 2017 to Wednesday, 13 September 2017, 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 Friday, 8 September 2017.

SHARE OPTION SCHEME

DCH adopted the Share Option Scheme (the "Scheme") on 28 September 2007. Under the Scheme, the Board may offer to grant an option over DCH's shares to any person employed by DCH or any of its subsidiaries and any person who is an officer or director (whether executive or non-executive) of DCH or any of its subsidiaries as the Board may, in its absolute discretion, select. A consideration of HK$1.00 is payable by each grantee to DCH on acceptance of the offer of the option. The subscription price determined by the Board will not be less than the higher of (i) the closing price of DCH's shares as stated in the daily quotations sheet of 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 had expired by the close of business on 6 July 2015.

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. A 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 5 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. The share options expired by the close of business on 7 June 2017.

STATUTORY DISCLOSURE (Continued)

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. A 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 5 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 2017, 22,350,000 share options lapsed and none of the share options under the Scheme were exercised and cancelled.

A summary of the movements of the share options under the Scheme during the six months ended 30 June 2017 is as follows:

(a) DCH directors

				Number of share options					
Name of director	Date of grant	Exercise period	Exercise price per share	Balance as at 1.1.2017	Granted during the 6 months ended 30.6.2017	Lapsed / cancelled during the 6 months ended 30.6.2017	Exercised during the 6 months ended 30.6.2017	Balance as at 30.6.2017	Approximate percentage to the number of issued shares
			HK$						
Yip Moon Tong (Note 1)	8.6.2012	8.6.2013 – 7.6.2017	7.40	1,800,000	–	–	–	(Note 1)	
	30.4.2014	30.4.2015 – 29.4.2019	4.93	1,800,000	–	–	–	(Note 1)	
				3,600,000				N / A	N / A
Lau Sei Keung	8.6.2012	8.6.2013 – 7.6.2017	7.40	1,450,000	–	1,450,000	–	–	
	30.4.2014	30.4.2015 – 29.4.2019	4.93	1,450,000	–	–	–	1,450,000	
				2,900,000				1,450,000	0.079%
Lee Tak Wah	8.6.2012	8.6.2013 – 7.6.2017	7.40	400,000 (Note 2)	–	400,000	–	–	
	30.4.2014	30.4.2015 – 29.4.2019	4.93	900,000 (Note 2)	–	–	–	900,000	
				1,300,000				900,000	0.049%

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

			Number of share options					
Date of grant	Exercise period	Exercise price per share	Balance as at 1.1.2017	Granted during the 6 months ended 30.6.2017	Lapsed / cancelled during the 6 months ended 30.6.2017	Exercised during the 6 months ended 30.6.2017	Balance as at 30.6.2017	Approximate percentage to the number of issued shares
		HK$						
8.6.2012	8.6.2013 – 7.6.2017	7.40	10,250,000 (Note 3)	–	11,450,000	–	–	–
30.4.2014	30.4.2015 – 29.4.2019	4.93	15,000,000 (Note 3)	–	1,250,000	–	14,450,000 (Note 4)	0.789%

STATUTORY DISCLOSURE (Continued)

(c) Others (Note 5)

			Number of share options					
Date of grant	Exercise period	Exercise price per share HK$	Balance as at 1.1.2017	Granted during the 6 months ended 30.6.2017	Lapsed / cancelled during the 6 months ended 30.6.2017	Exercised during the 6 months ended 30.6.2017	Balance as at 30.6.2017	Approximate percentage to the number of issued shares
8.6.2012	8.6.2013 – 7.6.2017	7.40	7,600,000 (Note 3)	–	7,800,000	–	–	–
30.4.2014	30.4.2015 – 29.4.2019	4.93	6,250,000 (Note 3)	–	–	–	6,450,000 (Note 4)	0.352%

Notes:

1. Subsequent to the retirement of Mr. Yip Moon Tong as an executive director of DCH on 1 March 2017, 1,800,000 share options (granted on 8 June 2012) were reclassified from "DCH directors" to "Employees of the Group working under continuous contracts (as defined in the Employment Ordinance), other than DCH directors". The options lapsed on the close of business on 7 June 2017 and 1,800,000 share options (granted on 30 April 2014) were reclassified from "DCH directors" to "Employees of the Group working under continuous contracts (as defined in the Employment Ordinance), other than DCH directors" as he remained as an employee until 30 June 2017 and then reclassified to "Others" on 1 July 2017 after his retirement.

2. Mr. Lee Tak Wah was appointed as a director of DCH with effect from 1 March 2017 and the balance was shown as at 1 March 2017.

3. 1,800,000 share options (granted on 8 June 2012) and 1,800,000 share options (granted on 30 April 2014) were reclassified to "Others", subsequent to certain employees having retired on 1 January 2017.

4. 200,000 share options (granted on 8 June 2012) and 200,000 share options (granted on 30 April 2014) were reclassified to "Others", subsequent to certain employees having retired during the six months ended 30 June 2017.

5. These are in respect of share options granted to former employees whose employment was terminated other than for cause or misconduct.

STATUTORY DISCLOSURE (Continued)

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 2017 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	Approximate percentage to the number of issued shares
Lai Ni Hium	450,000	0.025%
Lau Sei Keung	380,000	0.021%
Lee Tak Wah	100,000	0.005%
Fung Kit Yi, Kitty	170,000	0.009%

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	0.000003%
Lee Tak Wah	150,000	0.000516%
Fung Kit Yi, Kitty	6,000	0.000021%

(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 Family interests	Approximate percentage to the number of issued shares
Lee Tak Wah	4,000	0.000027%

STATUTORY DISCLOSURE (Continued)

3. Share Options in DCH

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

4. Shares Options in Associated Corporation

CITIC Telecom International Holdings Limited

				Number of share options					
Name of director	Date of grant	Exercise period	Exercise price per share HK$	Balance as at 1.1.2017	Granted during the 6 months ended 30.6.2017	Lapsed / cancelled during the 6 months ended 30.6.2017	Exercised during the 6 months ended 30.6.2017	Balance as at 30.6.2017	Approximate percentage to the number of issued shares
Fei Yiping	24.3.2017	24.3.2018 – 23.3.2023	2.45	–	500,000	–	–	500,000	
	24.3.2017	24.3.2019 – 23.3.2024	2.45	–	500,000	–	–	500,000	
				–				1,000,000	0.028%

Note: The share options were granted by CITIC Telecom International Holdings Limited.

5. Debentures in Associated Corporation

Mr. Lee Tak Wah, an executive director, had a personal interest in US$200,000 principal amount of 6.875% notes due 2018 issued by CITIC Limited.

Save as disclosed above, as at 30 June 2017, 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 to the Listing Rules.

STATUTORY DISCLOSURE (Continued)

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2017, 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 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 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 32.53% and 25.60% 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 2017.

Neither DCH nor any of its subsidiaries has purchased or sold any of DCH's shares during the six months ended 30 June 2017.

STATUTORY DISCLOSURE (Continued)

UPDATE ON DIRECTORS' INFORMATION

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

Mr. Kwok Man Leung, a non-executive director, was appointed as a non-executive director of VPower Group International Holdings Limited with effect from 11 April 2017.

Mr. Chan Kay Cheung, an independent non-executive director, has resigned as a senior adviser of The Bank of East Asia Limited with effect from 1 June 2017 and ceased to be the chairman of Shaani Fuping BEA Rural Bank Corporation by the end of May 2017.

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 revenue	Segment revenue from external customers plus inter-segment revenue

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 $= \dfrac{\text{Segment result from operations}}{\text{Segment revenue}}$

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:	11 September 2017 to 13 September 2017
Interim Dividend payable:	24 October 2017

INTERIM REPORT 2017

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.

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

8/F, DCH Building, 20 Kai Cheung Road,
Kowloon Bay, Hong Kong
Tel: (852) 2768 3388   www.dch.com.hk