大昌行集團有限公司

# DAH CHONG HONG HOLDINGS LIMITED

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 01828)**

# ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

- Revenue increased by 9.8% on a year-on-year basis (excluding the impact of HKFRS 15)
- Profit attributable to shareholders increased by 18.5% to HK$275 million
- Earnings per share were 14.89 HK cents, an increase of 17.6%
- Declared interim dividend was 5.05 HK cents per share
- Net asset value per share of HK$5.75

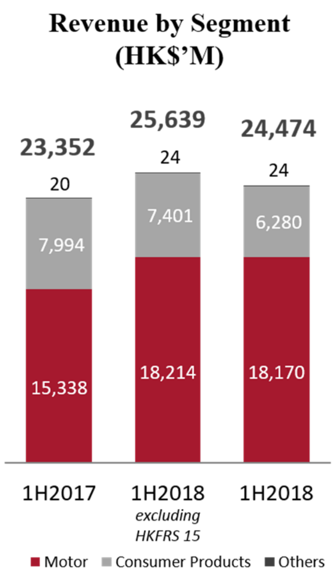
# BUSINESS REVIEW

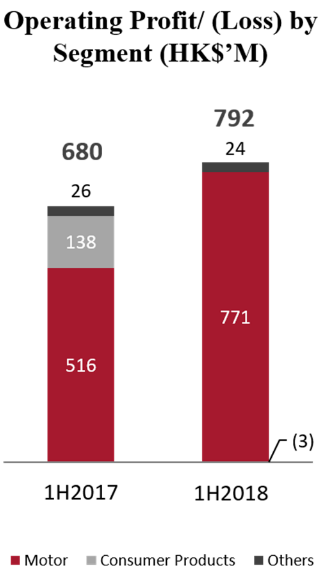
In the first half of 2018, Dah Chong Hong Holdings Limited ("DCH" or the "Group") recorded an increase of 18.5% in profit attributable to shareholders totaling HK$275 million (first half 2017: HK$232 million) and a 4.8% increase in revenue to HK$24,474 million (first half 2017: HK$23,352 million) as operational enhancement measures continued to deliver growth and profitability improvement in core segments.

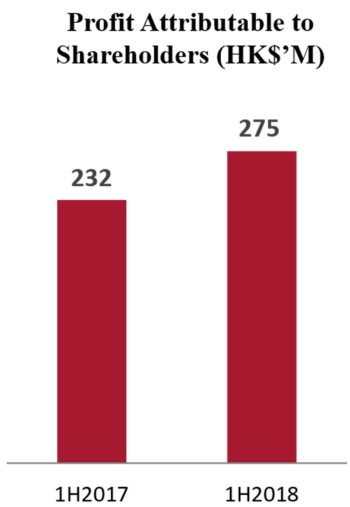
Effective 1 January 2018, DCH adopted Hong Kong Financial Reporting Standard ("HKFRS") 15, *Revenue from contracts with customers*, which affects the way revenue is recorded, particularly for agency and distribution businesses. As a result, recorded revenue for the first half of 2018 decreased in several business segments, particularly in the consumer products business. Excluding the impact of HKFRS 15, DCH revenue increased by 9.8% on a like-for-like basis.

The motor business recorded 18.5% revenue growth to HK$18,170 million (first half 2017: HK$15,338 million) while operating profit[1] increased by 49.4% to HK$771 million (first half 2017: HK$516 million) as a result of increased passenger vehicle sales from a wide range of business and portfolio enhancement measures and favourable market factors, particularly in mainland China.

Revenue of the consumer products segment decreased by 7.4% on a like-for-like basis as a result of portfolio and market optimisation and by 21.4% to HK$6,280 million (first half 2017: HK$7,994 million) after the application of HKFRS 15. Operating profit dropped and recorded a loss of HK$3 million (first half 2017: HK$138 million profit) due to restructuring in mainland China and Southeast Asia, which offset profitability improvement in Hong Kong and Macao driven by synergy and portfolio upgrades.




[1] Operating profit/(loss) is equal to segment result from operations, as referred to in Note 3(a) to the financial statements in this announcement and excludes taxation and non-controlling interests.

At the Group level, DCH continues to strengthen operations by consolidating business functions, upgrading systems and adopting a performance culture as part of a comprehensive program to enhance our efficiency and agility in the increasingly dynamic marketplace. We have begun to implement growth strategies, particularly in mainland China motor, with plans to open more dealerships in the premium and middle-market segments. Despite challenges in mainland China, the consumer products segment remains a high-potential growth area for DCH and we are positioning the business to benefit from growth in the Greater Bay Area, "One Belt, One Road" countries and increasing consumer purchasing power.

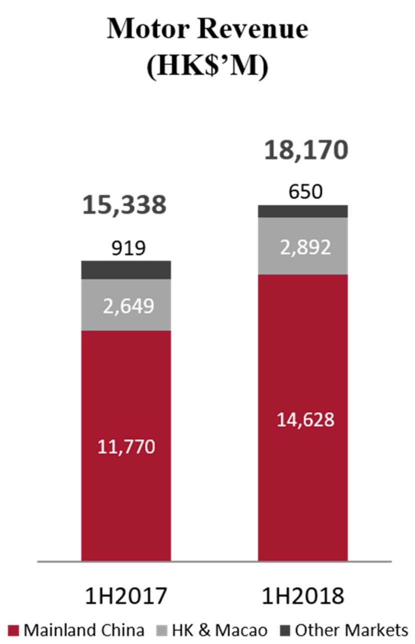
While we anticipate increased tariffs on US imports and the reduction of tariffs on imported vehicles will have minimal direct impact on DCH sale volumes, market uncertainty may affect consumer sentiment across categories and changes in tariff structures could potentially impact the longer-term production, pricing and product range strategies of our principals.

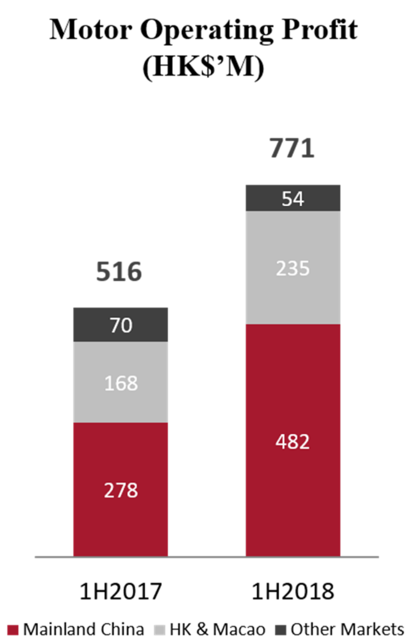
Therefore, our business outlook remains prudent despite the success of the business enhancement program, and we will continue to closely monitor the direct and indirect impacts of trade policies as we sharpen our capabilities and fuel growth opportunities across our business segments.

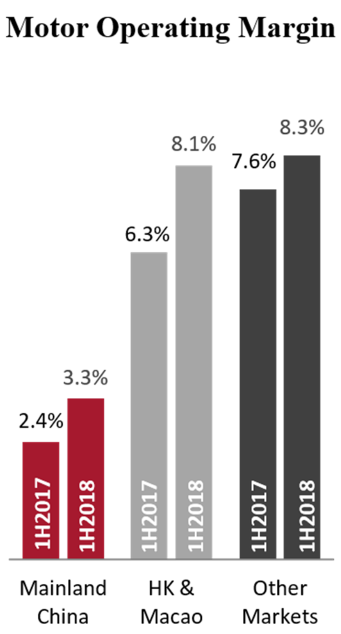
# Motor Business

As a dealer and distributor of motor vehicles, DCH represents more than 20 renowned automotive brands and has a presence in mainland China, Hong Kong, Macao, Singapore, Taiwan and Myanmar. Leveraging industry expertise built over more than 50 years, our vehicle distribution business is augmented by a wide portfolio of motor related businesses in mainland China and Hong Kong including independent service outlets, vehicle parts trading, used car sales, motor leasing, auto finance and insurance agency, engineering projects, aviation support operations and the sales of luxury yachts.

Following a series of successful business enhancement measures, revenue from the motor business increased by 18.5% to HK$18,170 million (first half 2017: HK$15,338 million) and operating profit increased by 49.4% to HK$771 million (first half 2017: HK$516 million) with improved performance and positive market factors in mainland China as well as Hong Kong and Macao, offset by a delay in Euro VI vehicle supply in Singapore. Operating margin improved in all markets.




## Motor Business - Mainland China

In mainland China, DCH operates more than 100 4S shops and showrooms with a wide range of services including leasing, financing, part sales and insurance agency. Beginning in 2016, DCH began a series of business reforms and enhancements designed to prepare the segment for growth and enhance profitability. Strategic measures included the centralisation of management, rationalisation of our 4S shop portfolio and increased exposure to the luxury and premium segments. Operationally we focused on stringent discounting controls, the realignment of sales incentives and KPIs, service training for front line staff and the enhancement of customer lifecycle and relationship management. In the first half of 2018, these measures continued to deliver strengthened sales and profitability across our portfolio of 4S shops.

The automotive market in mainland China was stable for the period with passenger car unit sales of 11.8 million, representing 4.6% growth against the first half of 2017 while luxury and premium vehicle sales outpaced the overall market at a 13.2% growth rate. As a result, DCH sold a total of 50,515 vehicle units, an increase of 10.5% against the first half of 2017 and revenue increased by 24.3% to HK$14,628 million (first half 2017: HK$11,770 million) reflecting increased exposure to the luxury and premium segments, the effectiveness of sales activities and contribution from three newly-acquired dealerships.

Operating profit surged by 73.4% to HK$482 million (first half 2017: HK$278 million) due to successful business enhancement measures, higher unit sales and contribution from the new dealerships. Overall, the mainland China motor segment delivered an operating margin of 3.3%, up from 2.4% in the first half of 2017, attributable to the effectiveness of the sales force, the more profitable portfolio mix and pricing control initiatives that continue to deliver results.

Aftersales service revenue, which represents 9.5% of total 4S shop revenue, increased by 31.2% with an 8.8% increase in vehicles serviced to 569,772 units. Additionally, the motor leasing business, finance portfolio and insurance commissions increased against the first half of 2017.

In the second half of the year, DCH will continue to focus on operational excellence while upgrading information systems, integrating new dealerships and preparing to build on greenfield sites. In 2017, the government announced a tariff reduction for imported vehicles, which represent less than 7% of our annual unit sales, however, resulting pricing and production strategies adopted by manufacturers may have an unforeseen impact on the market in the longer term. Similarly, while US-manufactured vehicles subject to increased import duty due to Sino-US trade policies represent less than 1% of our unit sales, continued market uncertainty generated by trade tensions has the potential to negatively affect consumer confidence. We will continue to monitor the situation closely in the second half of the year.

## Motor Business - Hong Kong and Macao

In Hong Kong and Macao, DCH is the dealer and distributor of 15 vehicle brands with supporting motor related businesses including motor leasing, used car trading, service outlets, parts trading, aviation services, engineering projects and the distribution of luxury yachts.

Revenue for the Hong Kong and Macao motor segment increased by 9.2% to HK$2,892 million (first half 2017: HK$2,649 million) with a 12.1% increase in vehicle unit sales as DCH passenger car sales outpaced the overall market due to strong demand and model launches. Sales were further enhanced by efforts to increase marketing efficiency through digital marketing, showroom enhancements, salesperson effectiveness and improvements in customer relationship management.

Operating profit improved significantly by 39.9% to HK$235 million (first half 2017: HK$168 million) from higher vehicle sales volume, prudent margin controls and efficiency enhancements. Overall, operating margin was 8.1%, an increase of 1.8 percentage points against the first half of 2017.

In the first half of 2018, the Hong Kong passenger car market returned to normalcy with a decline of 15.0% in unit sales against a one-off increase of 21.2% in 2017 triggered by an electric vehicle tax concession and new diesel vehicle regulations. Passenger car sales excluding electric and diesel vehicles have rebounded with a year-on-year increase of 18.0% in Hong Kong. Likewise, DCH passenger car unit sales regained market share and increased 26.9% in Hong Kong and Macao to 3,901 total units.

DCH commercial vehicles unit sales in Hong Kong and Macao decreased by 9.7% to 1,873 units as the Hong Kong government's emissions programme entered into its final stage despite 4.3% market growth driven by the demand for the newly-authorised 19-seater light buses.

The motor related businesses also delivered a strong performance in both revenue and profit with growth in the aviation services, parts trading and leasing businesses. In 2018, DCH was selected as the sole operator to supply, manage and maintain zero-emissions ground service equipment ("GSE") at the Hong Kong International Airport Midfield Concourse. The GSE Pooling scheme commenced in July 2018 and lasts for a period of 10 years with a 5-year extension option.

In April of 2018, DCH began the delivery of 34 Euro VI Sinotruk street sweeping vehicles to the Hong Kong Government's Food and Environmental Hygiene Department, the first domestic Euro VI vehicles purchased by a Hong Kong government agency. Last year, DCH also secured a contract to be the sole provider of double decker cross-border shuttle buses and recovery tow trucks for the Hong Kong-Zhuhai-Macao Bridge scheduled to open in September of 2018.

Princess Yachts recorded increased revenue with a solid pipeline for delivery. We have opened a new showroom conveniently located in the Central district of Hong Kong to enhance customer convenience while building the brand profile and expanded into the Shenzhen market with participation in the Shenzhen International Boat Show.

The outlook for the Hong Kong and Macao motor segment is stable, with a mature passenger car market, market leadership in commercial vehicles and further development opportunities in the motor related business. Looking forward, DCH will continue to focus on securing commercial vehicle market share, solidifying our reputation as a best-in-class service leader and adopting a smarter approach to customer lifecycle management to maintain profitability in a well-developed market.

## Motor Business - Other Markets

The other markets motor business segment includes motor operations in Taiwan, Singapore and Myanmar. The Taiwan motor business comprises vehicle distribution and sales, a semi-knocked down ("SKD") assembly facility and aftersales services. In Singapore, our motor business includes the sales and distribution of commercial vehicles, aftersales services, vehicle leasing and parts trading. In the first half of 2018, DCH was awarded a vehicle importing license for Myanmar and will continue to explore market expansion opportunities.

Revenue for the first half of 2018 decreased by 29.3% to HK$650 million (first half 2017: HK$919 million) primarily due to the delay of Euro VI vehicle supply in Singapore, one of the first Asian right-hand drive markets to adopt Euro VI emission standards for commercial vehicles. Operating profit decreased by 22.9% to HK$54 million (first half 2017: HK$70 million) due to the sales shortfall in Singapore which offset improved operating profit in Taiwan.

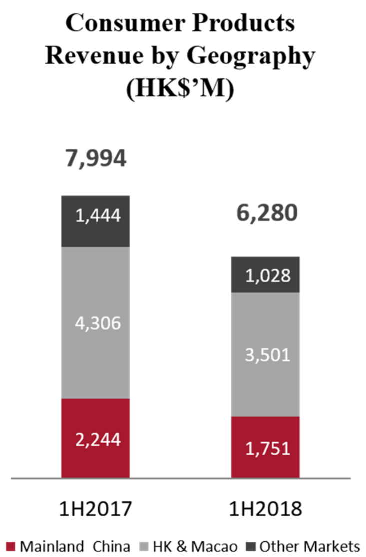
The delivery of Euro VI vehicles ordered in the first half of 2018 has begun and is anticipated to be completed by the end of the year, but our market outlook remains prudent due to other market factors in Singapore including the completion of the Singapore government's early retirement program for commercial vehicles in 2017, the Land Transport Authority's zero vehicle growth policy in 2018 and the cancellation of the Malaysia-Singapore high speed rail project.

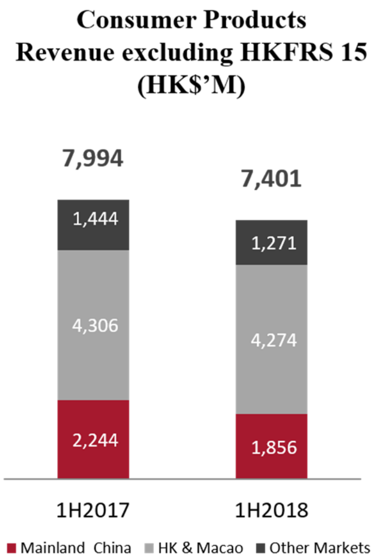
## Consumer Products Business

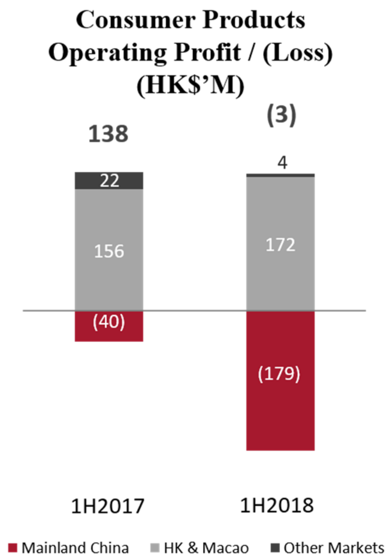
As an integrated distribution platform, DCH distributes over 1,000 brands in a diverse range of product categories including food and fast moving consumer goods ("FMCG"), healthcare and electrical products, supported by end-to-end logistics services. Our businesses extend across brand development, manufacturing, commodity trading, agency distribution, retail and aftersales with operations in Hong Kong, Macao, Taiwan, mainland China, Japan, Singapore, Thailand, Malaysia, Indonesia, the Philippines and Brunei.

In the consumer products segment, business integration and portfolio optimisation has generated synergies and solid results in the segment's largest business, food and FMCG agency distribution in Hong Kong and Macao, as well as in logistics. The healthcare business delivered market share growth in Southeast Asia but was impacted by a government policy shift towards generic and domestically produced pharmaceuticals in mainland China. The electrical products business improved slightly with growth in mainland China and appliance sales to property development projects.

However, business reengineering efforts continue in the consumer products segment with a ground-up revision of cost and service structures in mainland China and the streamlining of businesses in Southeast Asia. Active portfolio and market optimisation across the segment has resulted in a 7.4% decrease in revenue on a like-for-like basis and a 21.4% decrease after the application of HKFRS 15 to HK$6,280 million (first half 2017: HK$7,994 million), but is expected to provide greater focus and profitability going forward. During the restructuring, the consumer products segment recorded an operating loss of HK$3 million (first half 2017: HK$138 million profit) as we continue to improve our operational capabilities.



## Food and FMCG

The food and FMCG business represents 71.1% of the consumer products segment by revenue with operations in Hong Kong and Macao, mainland China and other markets. The Hong Kong and Macao business is the largest by revenue and operating profit and includes agency distribution, food commodity trading, retail and food manufacturing operations. In mainland China and Southeast Asia, DCH is primarily an agency distributor and operates food processing facilities.

*Food and FMCG – Hong Kong and Macao*

In the Hong Kong and Macao food and FMCG business, revenue decreased by 10.9% with the adoption of HKFRS 15 but was stable with a slight increase of 0.9% on a like-for-like basis while operating profit increased by 20.9% due to improved performances in food retail, food commodity trading and manufacturing and a slight decrease in the agency distribution business.

In our food and FMCG agency distribution business, we offer localised marketing and supply chain services to a diversified portfolio of market-leading household brands such as Pocari Sweat, Oreo, Hershey's, Ovaltine, Fonterra and Nivea, delivering into major retailers and caterers in the Hong Kong market. With the inclusion of the Integrated Market Services Asia ("IMSA") agency distribution business, DCH has become one of the largest food and FMCG agency distributors in Hong Kong. In the first half of 2018, DCH focused on optimising brand, product and channel portfolios while protecting margin and market share by offering products that appeal to changing consumer preferences. Revenue was stable excluding the impact of HKFRS 15, however operating profit decreased slightly due to the impact of parallel importing and aggressive pricing competition.

Our food commodity trading business sources over 600 products from more than 30 countries in the meat, seafood, produce and grocery categories for wholesale and retail. Revenue and operating profit in the food commodity trading business increased despite aggressive pricing adopted by competitors as we expanded our market penetration in high-end retail and fine dining channels and adjusted the product mix to include more premium and healthy food choices.

Our retail business operates Food Mart and Food Mart Deluxe stores which offer specialty meat and seafood products alongside home cooking requirements in 49 locations. After extensive rebranding, marketing efforts and store portfolio optimisation, the performance of the food retail business has improved and we will continue to focus on enhancing the customer experience through store renovation, redemption promotions and mobile payment systems.

In 2017, our meat and seafood processing operations were consolidated and relocated to ISO 22000 and HACCP certified facilities in Yuen Long to enhance synergy and have delivered improved profitability. Facing a contraction in the processed meat market due to changing consumer preferences and competition from overseas suppliers, food manufacturing is currently reviewing its product portfolio, packaging and recipes to protect long term performance.

The outlook for the overall Hong Kong and Macao food and FMCG business is stable as ongoing business and portfolio enhancement measures are expected to drive synergies and protect market share in a challenging competitive environment. We do not anticipate Sino-US trade tensions to have a direct impact on our Hong Kong and Macao businesses as the markets operate as a free trade zones, but as systematic and long-term risks are yet to be determined, we are monitoring the situation closely.

*Food and FMCG – Mainland China*

In mainland China, DCH operates a food trading and FMCG agency distribution business and two food manufacturing facilities.

The mainland China consumer market represents an essential business development area for DCH and we have diligently focused on fine-tuning our business model while developing expertise and unlocking synergies. Last year we implemented prudent inventory and promotional controls while restructuring the organisation. This year, we have optimised our brand portfolio and product range, resulting in a revenue decrease of 9.3%.

The business recorded an operating loss during the implementation of the business enhancement program but we are working steadily towards a turnaround in profitability, adopting best practices, realigning KPIs and incentives while reviewing our channel mix. In the second half of the year, we will continue to build the performance expertise and partnerships necessary to serve evolving consumer needs in the dynamic China consumer marketplace. While current tariffs on US imports have only impacted a few of our many food and FMCG brands, we will continue to monitor the situation closely, working with brand and channel partners to manage pricing and supply levels.

*Food and FMCG – Other markets*

In Southeast Asia, DCH distributes a balanced portfolio of FMCG products including food, personal care and household goods covering Japan, Singapore, Taiwan, Malaysia, Indonesia, Brunei and the Philippines. DCH also operates a food and beverage contract manufacturing facility in Malaysia that produces snacks, beverages and healthcare products for Asian markets.

After a review of our operations in Southeast Asia, we have begun to streamline the business to enhance profitability and focus efforts where we have identified competitive advantages and strong growth opportunities. Accordingly, revenue of the food and FMCG business in other markets decreased by 37.8% due to restructuring in Singapore and East Malaysia which resulted in a loss from operations but is anticipated to benefit future earnings.

In Malaysia, our manufacturing business focused on operational cost management, productivity and yield improvements as market conditions remain challenging due to rising costs and increased goods and service tariffs.

Southeast Asia remains an important growth market for DCH and our second half outlook is stronger with new business in the pipeline and higher volume forecasts from existing partners. Our expansion into dairy and nutrition ranges will serve consumer preference for a healthier lifestyle while protecting future profitability. Going forward, we will pursue new business and partnerships in core markets to increase market share and achieve economies of scale.

## Healthcare Distribution

DCH entered the healthcare and pharmaceutical distribution business in July 2016 and now offers comprehensive supply chain solutions as DCH Auriga to a principal portfolio including the world's leading life science companies. Operations span across Greater China and Southeast Asia and cover product categories including pharmaceuticals, over-the-counter medicine, medical devices, personal care, nutrition and hospital consumables.

On a like-for-like basis, revenue for the healthcare distribution business decreased by 9.5% and operating profit decreased by 10.3% as growth in Southeast Asia was offset by reduced revenue related to a policy shift to promote the adoption of generic and domestically produced pharmaceuticals in mainland China, particularly in the public health system. After the application of HKFRS 15, revenue decreased by 52.0%.

In 2018, DCH completed the development of a new distribution centre in Thailand and began to transition healthcare operations into its new flagship distribution centre in Hong Kong, which will be equipped with state-of-the-art facilities to offer specialty services including Radio Frequency Identification enhanced inventory tracking, advanced cold chain, robotic pick-and-pack services and express delivery.

Despite the challenges in mainland China, the long-term outlook for the healthcare business remains positive with infrastructure investments generating significant interest, market share growth in Southeast Asia and favourable market dynamics including rising middle class incomes, aging demographics and increases in government spending across Asia.

## Electrical Products Distribution

The DCH electrical products distribution business distributes, retails and provides aftersales services for a wide range of domestic and international brands in the electrical, audio-visual, lifestyle and home appliances categories. Operations extend across Hong Kong, Macao, mainland China and Southeast Asia under the Gilman Group, ToolBox, DCHdigi and DCHAV brands.

Revenue for the electrical products business increased by 6.0% with the continued growth of appliance and installation sales to property developers and warm weather bolstering air-conditioner sales. Operating profit was stable with an increase of 5.9% despite warehouse relocation costs and an unseasonably warm winter, which triggered intense retail competition and discounting on heating products.

The outlook for 2018 is stable with a strong property development pipeline and expansion opportunities in personal audio and lifestyle products, particularly in mainland China. In Hong Kong, we are preparing for the commencement of the Waste Electrical and Electronic Equipment Recycling Programme in August 2018, which requires manufacturers and distributors to prepay disposal fees and may have an impact on our profitability as the market adjusts to the new requirement.

## Logistics Solutions

The logistics business operates distribution centres and fleets providing comprehensive supply chain solutions to both internal and external customers. Our extensive supply chain network includes distribution centres in mainland China, Hong Kong and Macao offering warehousing, transportation, freight forwarding, cold chain logistics, processing and repacking services.

Following integration efforts across Greater China, the logistics business has improved its profitability and rationalised its customer portfolio. While revenue decreased by 5.2% following the portfolio optimisation, operating profit improved significantly by 50.0% as a result of ongoing efforts to upgrade facilities, increase utilisation rates and control overhead costs.

In the second half of the year, we will continue consolidating the supply chains of our consumer products businesses and strengthening our network in Southern and Eastern China. As part of our strategy to serve the Greater Bay area, DCH will open a new 45,000 square meter distribution centre in the Hengqin free trade zone in 2019 to meet demand for premium supply chain services in Macao following the opening of the Hong Kong-Zhuhai-Macao Bridge.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| | | Unaudited Six months ended 30 June | |
|---|---|---|---|
| HK$ million | Note | **2018** | 2017 |
| **Revenue** | 3(a) | **24,474** | 23,352 |
| Cost of sales | | **(21,042)** | (20,159) |
| **Gross profit** | | **3,432** | 3,193 |
| Other net income | 4 | **137** | 123 |
| Selling and distribution expenses | | **(1,934)** | (1,901) |
| Administrative expenses | | **(1,017)** | (913) |
| **Profit from operations** | | **618** | 502 |
| Finance costs | 5(a) | **(107)** | (96) |
| Share of profit after tax of associates | | **8** | 11 |
| Share of profit after tax of joint ventures | | **7** | 12 |
| **Profit before taxation** | 5 | **526** | 429 |
| Income tax | 6 | **(184)** | (151) |
| **Profit for the period** | | **342** | 278 |
| **Attributable to:** | | | |
| Shareholders of the Company | | **275** | 232 |
| Non-controlling interests | | **67** | 46 |
| | | **342** | 278 |
| **Basic and diluted earnings per share (HK cents)** | 8 | **14.89** | 12.66 |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| HK$ million | Unaudited Six months ended 30 June **2018** | 2017 |
|---|---|---|
| **Profit for the period** | **342** | 278 |
| | | |
| **Items that may be reclassified subsequently to profit or loss:** | | |
| Exchange differences on translation of financial statements of entities outside Hong Kong: | | |
| - subsidiaries | **(75)** | 341 |
| - associates and joint ventures | **(5)** | 12 |
| Effect on cash flow hedge, net of tax | **4** | 1 |
| Reserves released upon disposal of subsidiaries | **(16)** | 6 |
| **Other comprehensive (loss) / income for the period, net of tax** | **(92)** | 360 |
| **Total comprehensive income for the period** | **250** | 638 |
| | | |
| **Attributable to:** | | |
| Shareholders of the Company | **189** | 570 |
| Non-controlling interests | **61** | 68 |
| | **250** | 638 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| HK$ million | Note | **Unaudited 30 June 2018** | Audited 31 December 2017 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **3,869** | 3,784 |
| Investment properties | | **233** | 229 |
| Lease prepayments | | **843** | 858 |
| Intangible assets | | **1,824** | 1,880 |
| Goodwill | | **2,757** | 2,760 |
| Interests in associates | | **303** | 214 |
| Interests in joint ventures | | **351** | 347 |
| Other non-current assets | | **797** | 870 |
| Deferred tax assets | | **111** | 84 |
| | | **11,088** | 11,026 |
| **Current assets** | | | |
| Inventories | 9 | **6,570** | 6,891 |
| Assets held for sale | 10 | **22** | 4 |
| Debtors and other current assets | 11 | **8,178** | 8,148 |
| Current tax recoverable | | **39** | 44 |
| Cash and bank deposits | | **1,083** | 1,138 |
| | | **15,892** | 16,225 |
| **Current liabilities** | | | |
| Borrowings | | **4,349** | 2,864 |
| Creditors and other current liabilities | 12 | **8,479** | 8,442 |
| Current tax payable | | **162** | 283 |
| | | **12,990** | 11,589 |
| **Net current assets** | | **2,902** | 4,636 |
| **Total assets less current liabilities** | | **13,990** | 15,662 |
| **Non-current liabilities** | | | |
| Borrowings | | **2,724** | 4,063 |
| Other non-current liabilities | | **117** | 338 |
| Deferred tax liabilities | | **527** | 549 |
| | | **3,368** | 4,950 |
| **Net assets** | | **10,622** | 10,712 |
| **Capital and reserves** | | | |
| Share capital | 13 | **1,535** | 1,535 |
| Other reserves | | **8,541** | 8,610 |
| **Total equity attributable to shareholders of the Company** | | **10,076** | 10,145 |
| **Non-controlling interests** | | **546** | 567 |
| **Total equity** | | **10,622** | 10,712 |

# NOTES

## 1. Basis of preparation

The interim results set out in this preliminary announcement do not constitute Dah Chong Hong Holdings Limited ("the Company") and its subsidiaries' (collectively referred to as "the Group") interim financial report for the six months ended 30 June 2018 but are extracted from the interim financial report.

The interim financial report has 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. It should be read in conjunction with the annual financial statements for the year ended 31 December 2017.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the adoption of all relevant new and / or revised Hong Kong Financial Reporting Standards ("HKFRSs") and HKASs, amendments and interpretations ("revised standards"), which are effective for the current accounting period. Details of any changes in accounting policies are set out in Note 2.

The preparation of the interim financial report 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.

The interim financial report contains 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 2017 annual financial statements. The condensed consolidated 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.

The interim financial report is unaudited, but has been reviewed by 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*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included in the interim financial report to be sent to the shareholders. In addition, the interim financial report has been reviewed by the Group's Audit Committee.

The financial information relating to the financial year ended 31 December 2017 that is included in this preliminary announcement of interim results for the six months ended 30 June 2018 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:

## 1. Basis of preparation (continued)

The Company has delivered the financial statements for the year ended 31 December 2017 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.

## 2. Changes in significant accounting policies

### (a) Overview

The HKICPA has issued a number of revised standards that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKAS 40 (Amendments), *Transfers of Investment Property*
- HKFRS 9, *Financial instruments*
- HKFRS 15, *Revenue from contracts with customers*
- HK (IFRIC) - INT 22, *Foreign currency transactions and advance consideration*

At initial application, the Group has chosen to continue to apply the hedge accounting requirements of HKAS 39, *Financial instruments: recognition and measurement*, instead of requirements in Chapter 6 of HKFRS 9 to all hedging relationships. Thus the Group also applies HK(IFRIC) – INT 16, *Hedges of a net investment in a foreign operation,* without amendments which conform that interpretation to the requirements in Chapter 6 of HKFRS 9.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses, but did not have any material impact on the Group's results and financial position. Upon the adoption of HKFRS 9, the Group has applied retrospectively to items that existed at 1 January 2018 and the comparative information are not required to be restated in accordance with the transitional provisions of HKFRS 9. Any transition adjustments will be recognised against the opening balances of equity at 1 January 2018.

The Group has been impacted by HKFRS 15 in relation to the timing of revenue recognition, gross versus net recognition of revenue and presentation of contract assets and contract liabilities. The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 11, *Construction contracts,* and HKAS 18, *Revenue*. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

## 2. Changes in significant accounting policies (continued)

### (a) Overview (continued)

The impacts on the Group's financial position at 1 January 2018 upon initial application of HKFRS 15 are as follows:

| HK$ million | **At 31 December 2017** | **Impact on initial application of HKFRS 15** | **At 1 January 2018** |
|---|---|---|---|
| Deferred tax assets | 84 | 8 | 92 |
| Inventories | 6,891 | (691) | 6,200 |
| Debtors and other current assets | 8,148 | 706 | 8,854 |
| Creditors and other current liabilities | (8,442) | (43) | (8,485) |
| Other non-current liabilities | (338) | (21) | (359) |
| Other reserves | (8,610) | 41 | (8,569) |

The adoption of other revised standards did not have any material impact on the Group's results and financial position.

Further details of the changes in accounting policies are set out in Note 2(b) for HKFRS 15 and Note 2(c) for HKFRS 9.

## 2. Changes in significant accounting policies (continued)

### (b) HKFRS 15 Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, which covered revenue arising from the sales of goods and rendering of services, and HKAS 11, which specify the accounting for construction contracts.

The following table summarises the impact of transition to HKFRS 15 on retained profits and the related tax impact at 1 January 2018:

| | **HK$ million** |
|---|---|
| **Retained profits** | |
| Deferred revenue from warranty service identified as separate performance obligations | (50) |
| Revenue recognition for sales of goods in service contracts identified as separate performance obligations | 1 |
| Related tax impact of the above | 8 |
| Net decrease in retained profits at 1 January 2018 | (41) |

The following tables summarise the impacts of adopting HKFRS 15 on the Group's consolidated statement of financial position as at 30 June 2018 and the consolidated statement of profit or loss for the six months then ended for each of the line items affected.

Impact on the consolidated statement of financial position:

| **30 June 2018**<br>HK$ million | **As reported** | **Adjustments** | **Amounts without adoption of HKFRS 15** |
|---|---|---|---|
| Deferred tax assets | 111 | (7) | 104 |
| Inventories | 6,570 | 574 | 7,144 |
| Debtors and other current assets | 8,178 | (569) | 7,609 |
| Current tax payable | (162) | (2) | (164) |
| Creditors and other current liabilities | (8,479) | 37 | (8,442) |
| Other non-current liabilities | (117) | 13 | (104) |
| Other reserves | (8,541) | (46) | (8,587) |

## 2. Changes in significant accounting policies (continued)

### (b) HKFRS 15 Revenue from contracts with customers (continued)

Impact on the consolidated statement of profit or loss:

| **For the six months ended 30 June 2018** HK$ million | **As reported** | **Adjustments** | **Amounts without adoption of HKFRS 15** |
|---|---|---|---|
| Revenue | 24,474 | 1,165 | 25,639 |
| Cost of sales | (21,042) | (1,159) | (22,201) |
| Income tax | (184) | (1) | (185) |

The details of the changes in significant accounting policies in relation to the Group's various goods and services are set out below:

***(i) Timing of revenue recognition***

The adoption of HKFRS 15 does not have a significant impact on the Group's revenue recognition policy, except for the following:

**1. Sales of motor vehicles and motor yachts**

Under HKFRS 15, customers obtain control of motor vehicles and motor yachts when registration document is issued and either i) full payments have been made or ii) the goods have been delivered to and accepted by the customers. Revenue is recognised at that point in time when the customer obtains the control of the goods.

Under HKAS 18, revenue arising from the sales of motor vehicles and motor yachts is recognised when the registration document is issued or on delivery of motor vehicles and motor yachts, whichever is earlier, which is taken to be the point in time when the risks and rewards of ownership have been passed to the customers.

Revenue recognised under HKFRS 15 is at a later time than that under HKAS 18, which is taken to be the point in time at which the control of the motor vehicles and motor yachts has been passed to the customers. There is no adjustment on the opening balance of the retained profits as all the sale contracts of motor vehicles and motor yachts have been completed before 1 January 2018.

## 2. Changes in significant accounting policies (continued)

### (b) HKFRS 15 Revenue from contracts with customers (continued)

#### *(i) Timing of revenue recognition (continued)*

**2. Provision of warranty in addition to factory warranty**

Upon the sales of certain motor vehicles, the Group provides warranty services in addition to the factory warranty. These warranty services should be distinct as a separate performance obligation among the elements embedded in motor vehicles sales contract. The Group allocates the transaction prices to the products and the services under HKFRS 15. Revenue arising from such warranty service is recognised when the performance obligation has been fulfilled.

Revenue is recognised later under HKFRS 15 than under HKAS 18. The related deferred revenue on these warranty services in prior years is HK$42 million (net of tax) and such amount has been debited to the retained profits at 1 January 2018.

#### *(ii) Gross versus net recognition of revenue*

Under HKAS 18, an entity recognises revenue on a gross basis if it has exposure to the significant risks and rewards associated with the sale of goods or the rendering of services. Under HKFRS 15, an entity recognises revenue on a gross basis only if it controls the specified good or service before that good or service is transferred to a customer. Based on the terms of certain agreements entered into between the vendors and the Group, the Group determined that it does not obtain control of goods before the goods are sold to end customers. As such, the Group has changed the basis of presentation of revenue for certain transactions in the agency business in Consumer Products Business Segment from a gross basis to a net basis.

As a result of the change, revenue is recognised on the net commission or service fee received after deducting the consideration payable to the principals / other parties in exchange for the products and other direct costs. Direct costs of HK$1,120 million related to these transactions have been net off with the revenue for the six months ended 30 June 2018. The products held at 30 June 2018, amounting to HK$624 million, have been reclassified from "Inventories" to "Assets held on behalf of principals" under "Debtors and other current assets".

## 2. Changes in significant accounting policies (continued)

### (b) HKFRS 15 Revenue from contracts with customers (continued)

#### *(iii) Presentation of contract assets and liabilities*

Under HKFRS 15, if the Group delivers goods or renders services to a customer before being unconditionally entitled to the consideration for the promised goods and services in the contract, the entitlement to consideration is classified as a contract asset rather than a receivable.

The Group has assessed the expected credit losses of contract assets in accordance with HKFRS 9 on the same basis as financial assets.

Contract liability is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. Such balance is recognised as contract liability rather than a payable.

For a single contract with the customer, the contract asset or contract liability is presented on a net basis. For multiple contracts, only contract assets and contract liabilities of related contracts are presented on a net basis.

As a result of the new presentation, the Group has made the following reclassification at 30 June 2018:

- "Gross amounts due from customers for contract work" and "Trade debtors and bills receivables" amounting to HK$10 million and HK$69 million respectively, which were previously included in "Debtors and other current assets" are now being grouped as "Contract assets" under "Debtors and other current assets".
- "Gross amounts due to customers for contract work" amounting to HK$6 million are now disclosed as "Contract liabilities" which are also under "Creditors and other current liabilities".

## 2. Changes in significant accounting policies (continued)

### (c) HKFRS 9 Financial instruments

HKFRS 9 replaces HKAS 39. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The impacts related to the classification and measurement and the credit losses measurement are summarised as follows:

#### *(i) Classification and measurement of financial assets and financial liabilities*

Upon adoption of HKFRS 9, the classification and measurement of financial assets depends on two assessments: the financial asset's contractual cash flow characteristics and the entity's business model for managing the financial asset.

Apart from the reclassification of trade and other receivables to contract assets as a result of initial application of HKFRS 15 (see note 2(b)(iii)), the Group's dated debt securities which were previously disclosed as "held-to-maturity debt securities" under HKAS 39 are now disclosed as "financial assets at amortised cost" under HKFRS 9.

All other financial assets continue to be measured on the same basis as are measured under HKAS 39.

The measurement categories for all financial liabilities remain the same. The Group did not designate or de-designate any financial asset or financial liability at fair value through profit or loss at 1 January 2018.

#### *(ii) Credit losses of financial assets*

HKFRS 9 replaces the "incurred loss" impairment model in HKAS 39 with a forward-looking "expected credit loss" model.

The Group applies the simplified approach and records lifetime expected credit losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade debtors. Furthermore, the Group applies the general approach and records twelve-month expected credit losses that are estimated based on the possible default events on its other receivables and contract assets within the next twelve months, unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime expected credit losses. The Group assessed that there was no significant financial impact upon the initial adoption of the standard.

## 3. 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:

## 3. Segment reporting (continued)

### (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; and (ii) other motor related business, which includes operation of service outlets, original equipment parts trading, used car trading, provision of after-sales services, motor leasing, sales of yachts, hire purchase and insurance agency, 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 manufacturing and retail of food products; (ii) distribution of electrical appliances products; (iii) trading and distribution of consumer and healthcare products; and (iv) 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.

### (iii) Other Businesses

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

The Group's senior executive management monitors the results attributable to each reportable segment on the following basis:

The segment revenue of the Group is based on business lines and geographical location of customers. Income and expenses are allocated to the reportable segments with reference to sales generated by those segments and expenses incurred by those segments or which otherwise arisen from the depreciation or amortisation of assets attributable to those segments. The inter-segment transactions are conducted on normal commercial terms and are priced with reference to prevailing market prices and in the ordinary course of business.

Performance is measured based on segment result from operations and segment profit or loss after taxation which includes the Group's share of profits and losses after tax of associates and joint ventures. Items not allocated to the reportable segments comprise: (i) corporate expenses and recharges (mainly costs of supporting functions that are centrally provided by head office to all operating segments), (ii) amortisation of fair value adjustments arising from business combinations, (iii) fair value gain / loss and (iv) impairment loss on non-current assets other than amounts due from associates and joint ventures, finance lease receivables, prepaid long term assets and trade debtors, which are presented as reconciliation items in Note 3(b).

## 3. Segment reporting (continued)

### (a) Segment results

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

| HK$ million<br>Unaudited<br>Six months ended 30 June 2018 | Motor Business<br>Hong Kong & Macao | Motor Business<br>Mainland China | Motor Business<br>Other Markets | Motor Business<br>Sub-total | Consumer Products Business<br>Hong Kong & Macao | Consumer Products Business<br>Mainland China | Consumer Products Business<br>Other Markets | Consumer Products Business<br>Sub-total | Other Businesses | Inter-segment elimination | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Revenue from external customers | **2,892** | **14,628** | **650** | **18,170** | **3,501** | **1,751** | **1,028** | **6,280** | **24** | **-** | **24,474** |
| Inter-segment revenue | **3** | **-** | **-** | **3** | **2** | **1** | **-** | **3** | **46** | **(52)** | **-** |
| **Segment revenue** | **2,895** | **14,628** | **650** | **18,173** | **3,503** | **1,752** | **1,028** | **6,283** | **70** | **(52)** | **24,474** |
| **Segment result from operations (Note)** | **235** | **482** | **54** | **771** | **172** | **(179)** | **4** | **(3)** | **24** | **-** | **792** |
| Share of profit / (loss) after tax of associates | **-** | **5** | **-** | **5** | **-** | **4** | **-** | **4** | **(1)** | **-** | **8** |
| Share of profit after tax of joint ventures | **-** | **5** | **-** | **5** | **-** | **-** | **-** | **-** | **2** | **-** | **7** |
| Segment profit / (loss) before taxation (Note) | **235** | **492** | **54** | **781** | **172** | **(175)** | **4** | **1** | **25** | **-** | **807** |
| Segment income tax (Note) | **(40)** | **(120)** | **(17)** | **(177)** | **(26)** | **(10)** | **(9)** | **(45)** | **(5)** | **-** | **(227)** |
| **Segment profit / (loss) after taxation (Note)** | **195** | **372** | **37** | **604** | **146** | **(185)** | **(5)** | **(44)** | **20** | **-** | **580** |

| HK$ million<br>Unaudited<br>Six months ended 30 June 2017 | Motor Business<br>Hong Kong & Macao | Motor Business<br>Mainland China | Motor Business<br>Other Markets | Motor Business<br>Sub-total | Consumer Products Business<br>Hong Kong & Macao | Consumer Products Business<br>Mainland China | Consumer Products Business<br>Other Markets | Consumer Products Business<br>Sub-total | Other Businesses | Inter-segment elimination | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Revenue from external customers | 2,649 | 11,770 | 919 | 15,338 | 4,306 | 2,244 | 1,444 | 7,994 | 20 | - | 23,352 |
| Inter-segment revenue | 3 | - | - | 3 | - | - | - | - | 47 | (50) | - |
| **Segment revenue** | 2,652 | 11,770 | 919 | 15,341 | 4,306 | 2,244 | 1,444 | 7,994 | 67 | (50) | 23,352 |
| **Segment result from operations (Note)** | 168 | 278 | 70 | 516 | 156 | (40) | 22 | 138 | 26 | - | 680 |
| 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 (Note) | 168 | 291 | 70 | 529 | 156 | (33) | 22 | 145 | 29 | - | 703 |
| Segment income tax (Note) | (35) | (92) | (15) | (142) | (22) | - | (12) | (34) | (6) | - | (182) |
| **Segment profit / (loss) after taxation (Note)** | 133 | 199 | 55 | 387 | 134 | (33) | 10 | 111 | 23 | - | 521 |

Note: The handling and service charge income and commission income have been classified under "Revenue" as referred to in Note 4. Segment results are before corporate expenses and recharges and the corresponding tax impacts. Comparative figures presented above have been adjusted to conform to current period's presentation.

## 3. Segment reporting (continued)

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

| HK$ million | Note | **Unaudited Six months ended 30 June 2018** | 2017 |
|---|---|---|---|
| Segment profit after taxation | | **580** | 521 |
| Net gain on remeasurement of investment properties | | **3** | 1 |
| Net gain on remeasurement of foreign currency forward contracts | 4 | **2** | 1 |
| Net loss on remeasurement of other financial assets | 4 | **(2)** | - |
| Net provision of impairment loss on intangible assets | 5(b) | **-** | (20) |
| Share-based payments | 5(b) | **-** | 3 |
| Amortisation and depreciation of fair value adjustments on assets arising from business combinations | | **(40)** | (39) |
| Unallocated corporate expenses | | **(244)** | (220) |
| **Reconciliation items before taxation** | | **(281)** | (274) |
| ***Tax impact:*** | | | |
| Net tax effect on the above reconciliation items | | **43** | 31 |
| **Reconciliation items net of taxation** | | **(238)** | (243) |
| **Profit for the period** | | **342** | 278 |

## 4. Other net income

| HK$ million | Unaudited Six months ended 30 June 2018 | 2017 |
|---|---|---|
| Advertising and other subsidies from suppliers | **53** | 61 |
| Net gain on disposal of property, plant and equipment | **18** | 1 |
| Compensation income | **12** | 2 |
| Handling and service charge income | **9** | 4 |
| Government subsidies | **5** | 4 |
| Interest income from bank deposits | **4** | 6 |
| Net gain on disposal of subsidiaries | **2** | 12 |
| Forfeited deposit from customers | **2** | 2 |
| Net gain on remeasurement of investment properties | **3** | 1 |
| Net gain on remeasurement of foreign currency forward contracts | **2** | 1 |
| Net loss on remeasurement of other financial assets | **(2)** | - |
| Net exchange loss | **(6)** | (1) |
| Others | **35** | 30 |
| Total | **137** | 123 |

Note: As the Group has expanded the businesses of hire purchase and insurance agency, the handling and service charge income and commission income generated from these businesses are classified under "Revenue". Comparative figures of such income totaling HK$308 million have been reclassified to "Revenue" to conform to current period's presentation.

## 5. Profit before taxation

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

| HK$ million | | Unaudited Six months ended 30 June 2018 | 2017 |
|---|---|---|---|
| **(a)** | **Finance costs** | | |
| | Interest on bank advances and other borrowings | **105** | 96 |
| | Other interest expense | **2** | - |
| | Total | **107** | 96 |
| **(b)** | **Other items** | | |
| | Amortisation | | |
| | - lease prepayments | **12** | 7 |
| | - intangible assets | **46** | 35 |
| | Depreciation | **277** | 232 |
| | Write-down of inventories | **71** | 76 |
| | Reversal of write-down of inventories | **(30)** | (63) |
| | Share-based payments | **-** | (3) |
| | Net provision of impairment losses on | | |
| | - intangible assets | **-** | 20 |
| | - debtors and other current assets | **45** | 2 |

## 6. Income tax

Hong Kong Profits Tax is calculated at 16.5% (2017: 16.5%) of the estimated assessable profit for the period. Taxation outside Hong Kong is calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

| HK$ million | Unaudited Six months ended 30 June **2018** | 2017 |
|---|---|---|
| *Current tax* | | |
| - Hong Kong Profits Tax | **54** | 43 |
| - Outside Hong Kong | **158** | 252 |
| | **212** | 295 |
| *Deferred tax* | | |
| - Origination and reversal of temporary differences | **(26)** | (164) |
| - Net recognition of deferred tax assets on tax losses | **(12)** | - |
| | **(38)** | (164) |
| *Withholding tax* | **10** | 20 |
| Total | **184** | 151 |

## 7. Dividends

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

| HK$ million | Unaudited Six months ended 30 June **2018** | 2017 |
|---|---|---|
| Interim dividend declared after the interim period of 5.05 HK cents (2017: 5.05 HK cents) per share | **94** | 93 |

The interim dividend declared after the end of the reporting period has not been recognised as a liability at 30 June 2017 and 2018.

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

| HK$ million | Unaudited Six months ended 30 June **2018** | 2017 |
|---|---|---|
| Final dividend approved and payable of 11.90 HK cents (2017 paid: 3.69 HK cents) per share | **220** | 68 |

## 8. Earnings per share

### (a) Basic earnings per share

The basic earnings per share for the six months ended 30 June 2018 is based on the profit attributable to shareholders of the Company of HK$275 million (2017: HK$232 million) and the weighted average number of 1,847,038,804 (2017: 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 2017 and 2018 are the same as basic earnings per share as the potential ordinary shares in respect of outstanding share options are anti-dilutive.

## 9. Inventories

| HK$ million | **Unaudited 30 June 2018** | Audited 31 December 2017 |
|---|---|---|
| Finished goods | **6,445** | 6,822 |
| Raw materials | **112** | 55 |
| Work-in-progress | **13** | 14 |
| Total | **6,570** | 6,891 |

## 10. Assets held for sale

In April 2018, the Group entered into a sale and purchase agreement with a third party to sell a property situated in Singapore with a carrying amount of SGD1.4 million (equivalent to approximately HK$8 million). The disposal is expected to be completed in 2018.

In May 2018, the Group entered into a provisional agreement with a third party to sell a wholly-owned subsidiary incorporated in Hong Kong with net asset value of HK$10 million at a consideration of HK$421 million. The disposal is expected to be completed in October 2018.

The remaining balance of HK$4 million (31 December 2017: HK$4 million) represents carrying amounts of certain interests in joint ventures that are in the process of being transferred to the joint venture partner.

## 11. Debtors and other current assets

| HK$ million | | **Unaudited 30 June 2018** | Audited 31 December 2017 |
|---|---|---|---|
| Trade debtors and bills receivable | | **3,869** | 4,566 |
| Less: Provision for impairment of trade debtors | | **(38)** | (64) |
| | | **3,831** | 4,502 |
| Other receivables, deposits and prepayments | | **3,044** | 3,087 |
| Finance lease receivables | | **819** | 869 |
| Assets held on behalf of principals | | **675** | 77 |
| Contract assets | | **79** | - |
| Gross amount due from customers for contract work | | **-** | 6 |
| Amounts due from an intermediate holding company | | **-** | 1 |
| Amounts due from fellow subsidiaries | | **-** | 1 |
| Amounts due from associates | | **6** | 6 |
| Amounts due from joint ventures | | **4** | 12 |
| Amounts due from holders of non-controlling interests | | **53** | 16 |
| Derivative financial instruments | | **20** | 15 |
| | | **8,531** | 8,592 |
| Less: | Non-current finance lease receivables | **(352)** | (437) |
| | Non-current trade debtors | **(1)** | (7) |
| Total | | **8,178** | 8,148 |

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 2018** | Audited 31 December 2017 |
|---|---|---|
| Within 3 months | **3,264** | 3,992 |
| More than 3 months but within 1 year | **420** | 361 |
| Over 1 year | **147** | 149 |
| Total | **3,831** | 4,502 |

The Group grants credit to its customers in 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 |

## 12. Creditors and other current liabilities

| HK$ million | **Unaudited 30 June 2018** | Audited 31 December 2017 |
|---|---|---|
| Trade creditors and bills payable | **3,484** | 3,705 |
| Other payables and accrued charges | **4,180** | 4,248 |
| Contract liabilities | **6** | - |
| Gross amount due to customers for contract work | **-** | 5 |
| Amounts due to associates | **59** | 16 |
| Amounts due to joint ventures | **4** | 3 |
| Amounts due to holders of non-controlling interests | **258** | 232 |
| Forward liabilities | **230** | - |
| Put option written on non-controlling interests | **202** | 172 |
| Provision for product rectification | **54** | 57 |
| Derivative financial instruments | **2** | 4 |
| Total | **8,479** | 8,442 |

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

| HK$ million | **Unaudited 30 June 2018** | Audited 31 December 2017 |
|---|---|---|
| Current or within 1 month | **3,268** | 3,389 |
| More than 1 month but within 3 months | **131** | 191 |
| More than 3 months but within 6 months | **37** | 53 |
| Over 6 months | **48** | 72 |
| Total | **3,484** | 3,705 |

## 13. Share capital

| | **Unaudited 30 June 2018** | | Audited 31 December 2017 | |
|---|---|---|---|---|
| | **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 | **1,847** | **1,535** | 1,847 | 1,535 |

## 14. Comparative figures

Certain comparative figures have been adjusted to conform to current period's presentation.

# FINANCIAL REVIEW

## REVENUE

Revenue for the first half of 2018 was HK$24,474 million, representing an increase of 4.8% compared with HK$23,352 million for the same period last year. However, beginning in 2018, the Group adopted the recognition of revenue under HKFRS 15 which came to effect on 1 January 2018 and reported net instead of gross receipts from agency service businesses. On a like-for-like basis, the Group revenue for the first half of 2018 indeed has increased by 9.8% to HK$25,639 million.

**Motor Business**

The motor business segment revenue accounted for 74.2% of the Group's total revenue. Excluding the impact of HKFRS 15, the segment revenue increased by 18.7% to HK$18,217 million (first half 2017: HK$15,341 million). The increase was attributable to a 24.3% increase in the mainland China segment resulting from enhanced sales effectiveness, favourable contribution from premium and luxury vehicles and the acquisition of dealerships last year as well as a 11.2% increase in the Hong Kong and Macao segment following the gain in passenger car market share and strong growth in the motor related businesses. These increases were slightly offset by a 30.5% drop in the other markets segment due to the delay in the delivery of Euro VI compliant commercial vehicles in Singapore.

**Consumer Products Business**

Revenue from the consumer products business segment dropped by 21.4% to HK$6,283 million (first half 2017: HK$7,994 million) primarily due to the impact of HKFRS 15. On a like-for-like basis, segment revenue only decreased by 7.4% as a result of reduced revenue in the mainland China and other markets food and FMCG businesses, as well as mainland China healthcare. Revenue in the food and FMCG business dropped due to the business restructuring in mainland China and Southeast Asia. The Hong Kong and Macao performance was stable. Revenue from the healthcare distribution business dropped in mainland China due to the sales impact of a market shift towards generic medicine. Hong Kong and Macao healthcare dropped slightly but it was completely offset by market share gains in Southeast Asia. The electrical products business increased in revenue due to growth in property project sales and lifestyle electronics while revenue from the logistics solutions decreased as a result of portfolio optimisation.

## SEGMENT PROFIT / (LOSS) AFTER TAXATION

Segment profit after taxation for the first half of 2018 was HK$580 million, an increase of 11.3% as compared with HK$521 million for the same period last year.

**Motor Business**
Segment profit after taxation increased by 56.1% to HK$604 million (first half 2017: HK$387 million), driven by sales growth and improved profitability in mainland China as a result of business enhancement efforts and increased passenger cars sales in Hong Kong and Macao, as well as improved performance in the motor related business, offset by Euro VI commercial vehicles delivery delay in Singapore.

**Consumer Products Business**
Segment loss after taxation was HK$44 million (first half 2017: HK$111 million profit) due to ongoing performance challenges in the restructuring of the food and FMCG business in mainland China and costs incurred for streamlining businesses in East Malaysia and Singapore. Conversely, the food and FMCG business in Hong Kong and Macao delivered a profit increase of 19.2% against the first half of 2017 as a result of consolidation and portfolio upgrades which drove improvement in the food commodity trading, retail and manufacturing businesses. The logistics solutions business outperformed the same period last year following successful restructuring to consolidate supply chains and generate synergies. The healthcare distribution business is on par versus last year as the shortfall in mainland China related to structural change was offset by strong performances in the Hong Kong and Macao and Southeast Asia market segments. The electrical products business performance remained steady as compared to last year.

## PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Profit attributable to shareholders of the Company for the first half of 2018 was HK$275 million, an increase of 18.5% (first half 2017: HK$232 million). The improved performance was driven by sustained profitability enhancements in the motor business, which was partly offset by losses in the food and FMCG business in mainland China and restructuring costs in streamlining businesses in Southeast Asia.

## EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2018 was based on the profit attributable to shareholders of the Company and the weighted average number of 1,847,038,804 (first half 2017: 1,832,133,000) ordinary shares in issue during the period. Basic earnings per share was 14.89 HK cents for the six months ended 30 June 2018, an increase of 17.6% as compared with 12.66 HK cents for the same period of 2017.

The diluted earnings per share for the six months ended 30 June 2017 and 2018 were the same as the basic earnings per share since the potential ordinary shares for the outstanding share options are anti-dilutive.

## DIVIDEND PER SHARE

An interim dividend of 5.05 HK cents (first half 2017: 5.05 HK cents) per share was declared after the end of the reporting period.

## FINANCE COSTS

The Group's finance costs increased by 11.5% to HK$107 million (first half 2017: HK$96 million) mainly due to the consecutive interest rate hikes starting from the second half of 2017. Despite that, the Group's effective interest rate only depicted a minimal increase as a result of a series of successful negotiations with the banks to mitigate the Group's interest burden.

## INCOME TAX

Income tax was HK$184 million (first half 2017: HK$151 million), representing an increase of 21.9%. The effective tax rate for the period was 35.0% (first half 2017: 35.2%) due to increased losses from the consumer product business in mainland China which was partly compensated by the implementation of a tax review 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$10,622 million (31 December 2017: HK$10,712 million) and the 1,847,038,804 ordinary shares issued on 30 June 2018 (31 December 2017: 1,847,038,804 ordinary shares). The slight decrease in net asset value reflects the impact of RMB depreciation. Net asset value per share at 30 June 2018 was HK$5.75 (31 December 2017: HK$5.80).

## 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 2018** | Audited 31 December 2017 |
|---|---|---|
| Contracted for | | |
| - Capital expenditure | **162** | 192 |
| - Investment in an associate | **227** | 268 |
| Authorised but not contracted for | | |
| - Capital expenditure | **188** | 214 |

## CONTINGENT LIABILITIES

At the end of the reporting period, the Group has issued guarantees to banks in respect of banking facilities of HK$59 million (31 December 2017: HK$59 million) granted to and utilised by an associate of HK$31 million (31 December 2017: HK$34 million).

The Group has issued a guarantee of EUR1.2 million at 30 June 2018 and 31 December 2017 to a trade creditor of an associate.

## CAPITAL EXPENDITURE

In the first half of 2018, the Group's total capital expenditure on property, plant and equipment and lease prepayments was HK$502 million (first half 2017: HK$322 million) and major usages are summarised as follows:

| | |
|---|---|
| Motor Business | • Renovation of 4S dealerships in mainland China, acquisition of motor vehicles for demo cars and leasing businesses in Hong Kong and mainland China, office renovation, fixtures and fittings, plant and equipment |
| Consumer Products Business | • Office renovation, fixtures and fittings, plant and equipment as well as logistics facilities |
| Other Businesses and Corporate Offices | • Office renovation, fixtures and fittings, plant and equipment |

| HK$ million | **1-6/2018** | 1-6/2017 | Change |
|---|---|---|---|
| Motor Business | **348** | 254 | 94 |
| Consumer Products Business | **66** | 54 | 12 |
| Other Businesses | **14** | 9 | 5 |
| Corporate Offices | **74** | 5 | 69 |
| Total | **502** | 322 | 180 |

## 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 more efficient utilisation of cash.

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

## CASH FLOW

**Summary of Condensed Consolidated Cash Flow Statement**

| HK$ million | **1-6/2018** | 1-6/2017 | Change |
|---|---|---|---|
| Operating profit before changes in working capital | **945** | 812 | 133 |
| Decrease in working capital | **94** | 238 | (144) |
| Cash generated from operations | **1,039** | 1,050 | (11) |
| Tax paid | **(343)** | (179) | (164) |
| Net cash generated from operating activities | **696** | 871 | (175) |
| Net cash (used in) / generated from investing activities | **(763)** | 252 | (1,015) |
| Dividends paid to shareholders of the Company | **-** | (68) | 68 |
| Net cash used in financing activities | **(25)** | (530) | 505 |
| Net (decrease) / increase in cash and cash equivalents | **(92)** | 525 | (617) |

| | | | |
|---|---|---|---|
| **Cash and cash equivalents at 1 January** | **1,013** | 1,042 | (29) |
| Net (decrease) / increase in cash and cash equivalents | **(92)** | 525 | (617) |
| Effect of foreign exchange rates changes | **(10)** | 35 | (45) |
| **Cash and cash equivalents at 30 June** | **911** | 1,602 | (691) |

**Overview**

The Group maintained a healthy cash position for the period. With the solid revenue growth driven by the strong performances in the mainland China and Hong Kong motor businesses, as well as the Hong Kong and Macao consumer products business, the operating profit before changes in working capital was HK$945 million (first half 2017: HK$812 million). The Group maintained prudent working capital management with a reduction of HK$94 million in working capital primarily driven by better receivables management. Net cash used in investing activities was HK$763 million, while net cash used in financing activities was HK$25 million. At 30 June 2018, the cash and cash equivalents balance was HK$911 million, reduced by HK$102 million compared to the beginning of the year (31 December 2017: HK$1,013 million).

**Operating profit before changes in working capital**

Profit before taxation was HK$526 million for the six months ended 30 June 2018 (first half 2017: HK$429 million). After adding back non-cash items, operating profit before changes in working capital was HK$945 million (first half 2017: HK$812 million). The increase was due to strong Group performance and revenue growth in the motor business segment.

**Decrease in working capital**

Working capital decreased by HK$94 million (first half 2017: decreased by HK$238 million) which included the increase in inventories of HK$399 million (first half 2017: decrease of HK$156 million) and the decrease in creditors and other current liabilities of HK$248 million (first half 2017: decrease of HK$394 million) which was more than offset by the decrease in debtors and other current assets of HK$741 million (first half 2017: decrease of HK$476 million). The increase in inventories was mainly due to the increase in stock of commercial vehicles ahead of the adoption of the new emission standards in Hong Kong and Taiwan. The decrease in debtors and other current assets was driven by the improvement in collection and ageing receivables management in the consumer products business.

**Net cash generated from operating activities**

Cash generated from operations was HK$1,039 million (first half 2017: HK$1,050 million). Netting tax payment of HK$343 million (first half 2017: HK$179 million), net cash generated from operating activities was HK$696 million (first half 2017: HK$871 million). The higher tax paid in the current period was mainly due to the settlement of profit tax from the sales of a building in Japan last year. The Group's effective tax rate for the period was 35.0% (first half 2017: 35.2%).

**Net cash used in investing activities**

Net cash used in investing activities was HK$763 million (first half 2017: HK$252 million generated from investing activities) primarily for the remaining settlement of the acquisition of dealerships in eastern China and the investment in Tamar Alliance Fund.

**Net cash used in financing activities**

Net cash used in financing activities was HK$25 million (first half 2017: HK$598 million). The net proceeds from bank loans was HK$121 million (first half 2017: HK$407 million net repayment) and the net outflow to non-controlling interests was HK$41 million (first half 2017: HK$28 million). Interest paid was HK$105 million (first half 2017: HK$95 million). No dividends were paid to equity shareholders for the period (first half 2017: HK$68 million). The increase in bank loans for the period was primarily used to settle the payment of acquisition and investing activities.

## GROUP DEBT AND LIQUIDITY

The cash and debt position of the Group at 30 June 2018 is summarised as follows:

| HK$ million | **30 June 2018** | 31 December 2017 | Change |
|---|---|---|---|
| Total debt | **7,073** | 6,927 | 146 |
| Less: Cash and bank deposits | **1,083** | 1,138 | (55) |
| Net debt | **5,990** | 5,789 | 201 |

At 30 June 2018, the Group's net debt position was HK$5,990 million (31 December 2017: HK$5,789 million), slightly increased by HK$201 million as a result of the increase in debt of HK$146 million and the decrease in cash of HK$55 million used primarily to settle the payment of investment activities.

The original denomination of the Group's borrowings and cash and bank deposits by currency at 30 June 2018 is summarised as follows:

| HK$ million equivalent | HKD | RMB | JPY | USD | SGD | NTD | THB | Others | **Total** |
|---|---|---|---|---|---|---|---|---|---|
| Total debt | 3,815 | 617 | 158 | 2,449 | - | 14 | - | 20 | **7,073** |
| Less: Cash and bank deposits | 71 | 662 | 38 | 14 | 44 | 113 | 76 | 65 | **1,083** |
| Net debt / (cash) | 3,744 | (45) | 120 | 2,435 | (44) | (99) | (76) | (45) | **5,990** |

The Group's debt was mainly denominated in HKD and USD as the borrowing costs for these two currencies were relatively lower. The Group held more cash in RMB as our major cash generating business is the motor business in mainland China.

## Leverage

The below table shows the total capital and the net gearing ratio of the Group at 30 June 2018 and 31 December 2017.

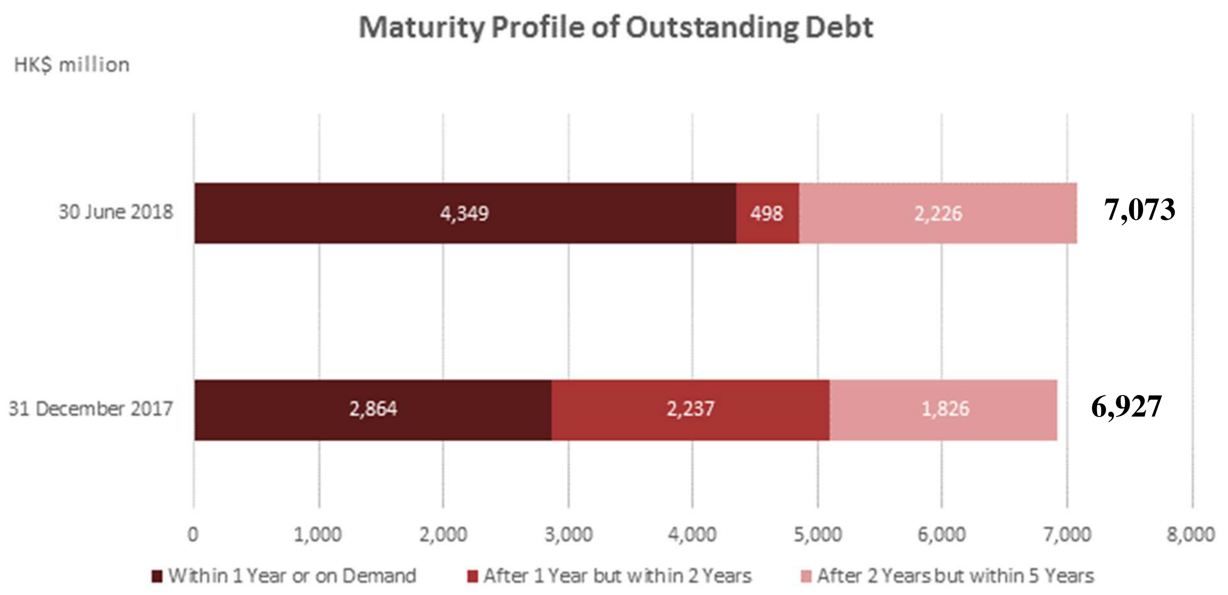
| HK$ million | **30 June 2018** | 31 December 2017 | Change |
|---|---|---|---|
| Net debt | **5,990** | 5,789 | 201 |
| Shareholders' funds | **10,076** | 10,145 | (69) |
| Total capital | **16,066** | 15,934 | 132 |
| Net gearing ratio | **37.3%** | 36.3% | 1% |

The Group maintained a healthy gearing ratio of 37.3%. The position was steady with slight changes in shareholders' funds and net debt.

The effective interest rate of the Group's borrowings for the period was 3.0% (31 December 2017: 2.5%). The effect of interest rate hikes in the US led to an increase in the effective interest cost of the Group. From December 2017 to June 2018, there were three interest rate hikes in the US totaling 75 basis points, but the Group's effective interest cost only increased by 50 basis points. The Group has actively negotiated with banks to mitigate the Group's interest burden.

## Maturity Profile of Outstanding Debt

The Group actively manages its debt maturity profile based on its cash flow and refinancing ability upon debt maturity. The graph below shows the debt maturity profile of the Group at 30 June 2018 and 31 December 2017.



The portion of debt maturing within 1 year increased because part of the term loans became due within 1 year as of 30 June 2018. The portion of debt maturing after 2 years increased by HK$400 million mainly due to refinancing of term loans. The Group will continue to refinance the term loans upon maturity and maintain a healthy maturity profile.

**Sources of Financing**

The below table shows the source of financing at 30 June 2018:

| HK$ million | **30 June 2018** | 31 December 2017 | Change |
|---|---|---|---|
| Utilised term loans and revolving loans | **5,207** | 5,207 | - |
| Utilised money market lines | **1,854** | 1,635 | 219 |
| Discounted bills and trade loans | **7** | 80 | (73) |
| Others | **5** | 5 | - |
| Total | **7,073** | 6,927 | 146 |

**Committed vs. Uncommitted Facilities**

| | **30 June 2018** | | | 31 December 2017 | | |
|---|---|---|---|---|---|---|
| HK$ million | **Total** | Utilised | Available | Total | Utilised | Available |
| Committed facilities: | | | | | | |
| Term loans and revolving loans | **5,797** | 5,207 | 590 | 5,897 | 5,207 | 690 |
| Uncommitted facilities: | | | | | | |
| Money market lines | **9,997** | 1,854 | 8,143 | 10,052 | 1,635 | 8,417 |
| Total loan facilities | **15,794** | 7,061 | 8,733 | 15,949 | 6,842 | 9,107 |
| Trading facilities | **6,206** | 1,176 | 5,030 | 6,153 | 771 | 5,382 |
| Total | **22,000** | 8,237 | 13,763 | 22,102 | 7,613 | 14,489 |

The Group maintains sufficient banking facilities to support the business. At 30 June 2018, facilities totaled HK$22,000 million including total loan facilities of HK$15,794 million and trading facilities of HK$6,206 million. Within the total loan facilities of HK$15,794 million, committed facilities totaled HK$5,797 million, representing 37% of total loan facilities. Uncommitted facilities totaled HK$9,997 million, representing 63% of total loan facilities. Utilised loan facilities totaled HK$7,061 million, representing 45% of total loan facilities. Undrawn available loan facilities totaled HK$8,733 million. The Group will ensure adequate financing resources are maintained to support the future growth of the business.

## PLEDGED ASSETS

At 30 June 2018, the Group's assets of HK$331 million (31 December 2017: HK$372 million) were pledged in relation to the financing of bank acceptance drafts and the 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 2018, the Group has complied with all of the above financial covenants.

# 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. As of 30 June 2018, the Group had a total of 17,298 employees, with 11,196 in mainland China, 4,453 in Hong Kong and Macao, and 1,649 in other locations, including Japan, Taiwan, Singapore, Myanmar, Indonesia, Malaysia, Brunei, Thailand and the Philippines. The number of employees decreased by 2.6% as of December 2017 and increased by 0.8% as of June 2017.

| **Location** | **June 2018** | December 2017 | June 2017 | June 2018 vs. December 2017 | June 2018 vs. June 2017 |
|---|---|---|---|---|---|
| Mainland China | **11,196** | 11,179 | 10,517 | 0.2% | 6.5% |
| Hong Kong & Macao | **4,453** | 4,675 | 4,702 | -4.7% | -5.3% |
| Other Locations | **1,649** | 1,897 | 1,950 | -13.1% | -15.4% |
| Total | **17,298** | 17,751 | 17,169 | -2.6% | 0.8% |

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 organise 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.

As talent development and retention is important to ensure sustainable business success, DCH provides a wide range of internal and external training courses to employees. As of 30 June 2018, more than 9,000 participants attended over 63,000 hours of induction, management, technical, soft skills and ethical training programmes. To promote a company-wide corporate culture and strong corporate values, DCH also focused on enhancing internal communications with interactive workshops, business review meetings, bi-weekly newsletters and training sessions with the CEO.

## CORPORATE GOVERNANCE

DCH is committed to maintaining high standards of corporate governance. The board of directors of DCH (the "Board") believes that good corporate governance practices are important to promote investor confidence and protect the interest of our shareholders. 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 2017 and on DCH's website at www.dch.com.hk.

DCH has applied the principles and complied with all code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the six months ended 30 June 2018.

The Audit Committee of the Board, consisting of five independent non-executive directors, has reviewed the Interim Report 2018 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 Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

## DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has declared an interim dividend of 5.05 HK cents (2017: 5.05 HK cents) per share for the year ending 31 December 2018 to shareholders whose names appear on the Register of Members of DCH on Friday, 14 September 2018. 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 the 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 Friday, 21 September 2018. It is expected that the dividend warrants and certificates for the scrip shares will be despatched to shareholders on Thursday, 25 October 2018.

The Register of Members of DCH will be closed from Wednesday, 12 September 2018 to Friday, 14 September 2018, 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 Tuesday, 11 September 2018.

## PURCHASE, SALE OR REDEMPTION OF SHARES

DCH has not redeemed any of its shares during the six months ended 30 June 2018. Neither DCH nor any of its subsidiary companies has purchased or sold any of DCH's shares during the six months ended 30 June 2018.

## FORWARD LOOKING STATEMENTS

This announcement contains certain forward looking statements with respect to the financial condition, results of operations and business of the Group. These forward looking statements represent DCH's expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

## INTERIM REPORT AND FURTHER INFORMATION

A copy of this announcement will be found on DCH's website (www.dch.com.hk) and the Stock Exchange's website (www.hkexnews.hk). The Interim Report 2018 will be made available on the respective websites of DCH and the Stock Exchange on or about Friday, 21 September 2018.

By order of the Board
**Lai Ni Hium**
*Executive Director and Chief Executive Officer*

Hong Kong, 27 August 2018

*As at the date of this announcement, the directors of DCH are:-*

*Executive Directors: Lai Ni Hium, Lee Tak Wah and Fung Kit Yi, Kitty*

*Non-executive Directors: Zhang Jijing (Chairman), Kwok Man Leung and Fei Yiping*

*Independent non-executive Directors: Chan Kay Cheung, Chan Hui Dor Lam, Doreen, Woo Chin Wan, Raymond, Zhang Lijun and Cheng Jinglei*