大昌行集團有限公司

DAH CHONG HONG HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 01828)

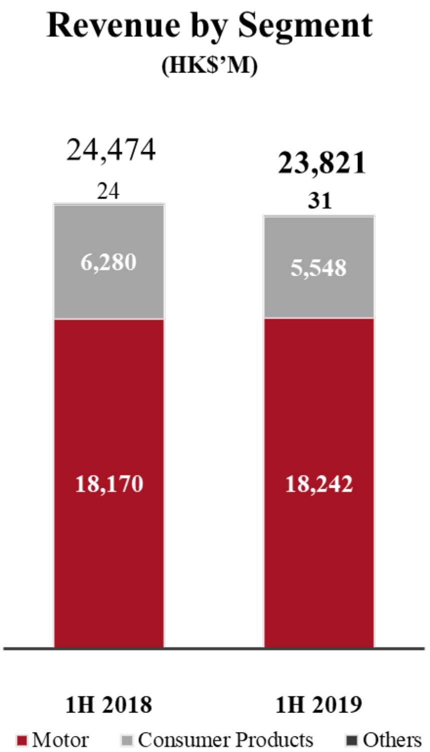
ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

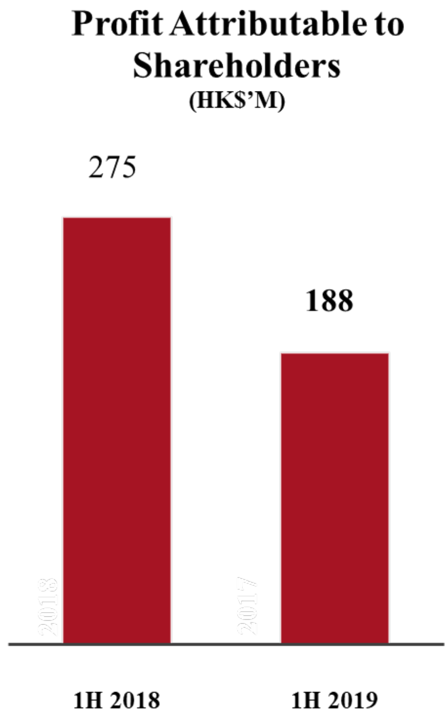
- Revenue decreased by 2.7% on a year-on year basis to HK$23,821 million
- Profit attributable to shareholders decreased by 31.6% to HK$188 million
- Earnings per share were 9.97 HK cents, a decrease of 33.0%
- Declared interim dividend was 4.23 HK cents per share
- Net asset value per share of HK$5.42

BUSINESS REVIEW

In the first half of 2019, revenue of Dah Chong Hong Holdings Limited ("DCH" or "the Group") was HK$23,821 million and profit attributable to shareholders was HK$188 million, decreases of 2.7% and 31.6% respectively against the same period in 2018.

The significant decline in profit was primarily due to margin pressure in the motor business as DCH adopted a strategy to maintain market share amidst intensified competition driven by slowing economic growth, reduced demand and changing emissions policies. Despite a challenging market environment, the consumer products segment returned to profitability as a result of successfully completed restructuring in Southeast Asia and reduced losses in the mainland China food and fast moving consumer goods ("FMCG") business.





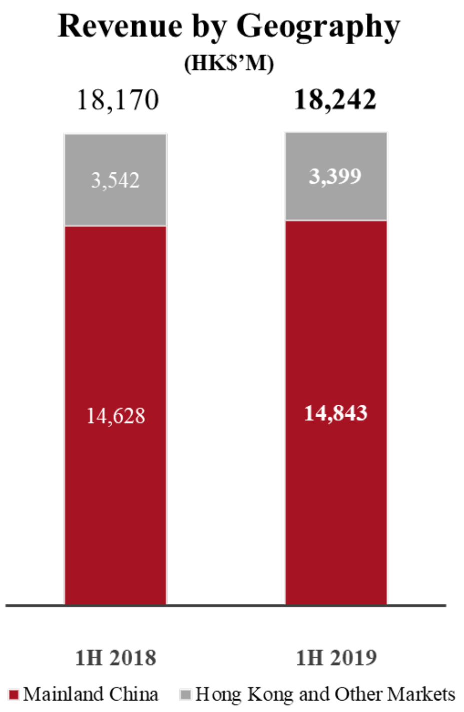
HK$ million	**1H2019**	1H2018	Change
Revenue	**23,821**	24,474	-2.7%
Profit attributable to the shareholders of the Company	**188**	275	-31.6%

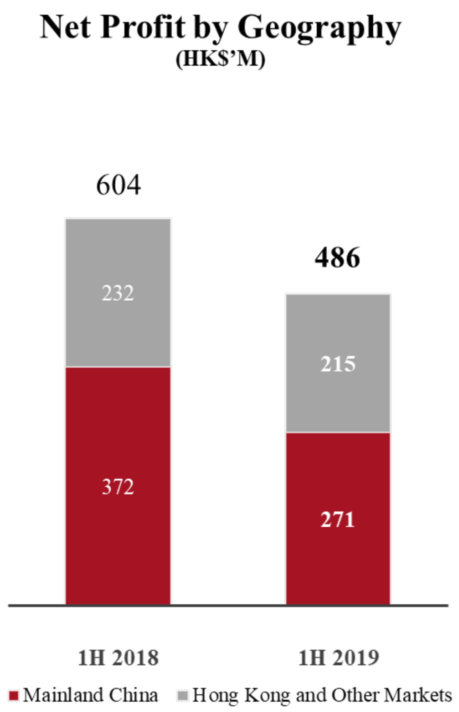
MOTOR BUSINESS

As a leading dealer and distributor of motor vehicles, DCH represents more than 20 renowned automotive brands with a presence in mainland China, Hong Kong, Macao, Singapore, Taiwan and Myanmar.

The motor business remains the largest contributor to the Group at 76.6% of total DCH revenue, up from 74.2% in the first half of 2018, as a result of continued investment in our 4S shop network. The mainland China motor business comprises 62.3% of the Group's total revenue, while the Hong Kong and Other Markets segment comprises 14.3%.

During the period, DCH vehicle unit sales increased by 8.8% due to dealership expansion and retail strategies to maintain healthy sales volumes, which resulted in stable revenue of HK$18,242 million. Net profit [1] decreased by 19.5% to HK$486 million reflecting margin pressure from market contractions and changing emission standards in mainland China and Hong Kong.





MAINLAND CHINA

In mainland China, DCH operates 91 4S shops and 29 authorised showrooms, retailing a diverse portfolio of motor brands. We also offer motor related services including leasing, financing, parts sales, auto insurance agency and used car sales.

[1] Net profit/(loss) refers to segment profit/(loss) after taxation and before sharing of non-controlling interests, as referred to in Note 3(b) to the financial statements of this announcement of interim results.

	DCH Unit Sales (Mainland China)			Mainland China Market Unit Sales (000s)		
	1H2019	1H2018	Change	**1H2019**	1H2018	Change
Passenger vehicles	**54,519**	48,236	13.0%	**10,127**	11,775	-14.0%
Commercial vehicles	**1,685**	2,172	-22.4%	**2,196**	2,291	-4.1%
Total	**56,204**	50,408	11.5%	**12,323**	14,066	-12.4%

The overall motor market in mainland China continued to decline with a total decrease in year-on-year unit sales of 12.4%, as reported by the China Association of Automobile Manufacturers. Conversely, unit sales for DCH increased by 11.5% due to an expanded 4S shop network which increased our exposure to the growing premium segment, as well as retail strategies to maintain market share and manage inventory levels. Accordingly, revenue increased by 1.5% to HK$14,843 million, while net profit decreased by 27.2% to HK$271 million as a result of lower average selling prices adopted in a competitive market environment intensified by reduced demand, pricing adjustments following import tariff reductions in 2018 and incentives on China 5 vehicles during the roll out of China 6 emissions standards. Net profit was further impacted by higher operational and business development expenses related to our investment in new dealerships.

In the first half of 2019, DCH continued to implement a strategy to expand in the luxury, premium domestic and commercial vehicle segments with the launch of three new 4S shops including two Lynk & Co stores and one MAN store. We are also preparing to open another six 4S shops in the second half of the year including stores for Bentley, Mercedes-Benz and Audi, as well as three stores for Lynk & Co.

During the period, aftersales service revenue at our 4S shops increased, representing 10.6% of total dealership revenue, and contributed higher net profit. The total number of vehicles serviced was 584,592 units, an increase of 2.6%.

In addition to opening new dealerships, we are strengthening supporting businesses including motor financing, leasing and used car sales. The rate of vehicle financing increased with 17.8% growth in our finance lease portfolio, now valued at RMB811 million, alongside a 4.6% increase in fees and commissions. In the motor leasing business, we recorded double digit gains in revenue and net profit with an expanded fleet of service vehicles and are exploring opportunities to capture growth in domestic tourism with over 300 recreational vehicles available for lease.

Following the recent relaxation of vehicle relocation restrictions, we have also expanded used car trading to 80% of our existing 4S shops. Unit sales for previously-owned vehicles nearly doubled and delivered double digit increases in revenue and net profit as the market for used car sales continues to gain momentum.

HONG KONG AND OTHER MARKETS

In Hong Kong and Macao, DCH is the dealer and distributor of 16 vehicle brands with motor related businesses including motor leasing, used car trading, independent service outlets, parts trading, aviation support services, engineering projects and the distribution of luxury yachts. DCH also distributes commercial vehicles in Singapore, Taiwan and Myanmar and offers supporting services including aftersales, motor leasing and a semi-knocked down assembly facility.

Revenue of the Hong Kong and Other Markets motor business decreased by 4.0% to HK$3,399 million while net profit decreased by 7.3% to HK$215 million as we controlled losses against a 14.5% decrease in market demand in Hong Kong and gained market share in Taiwan and Singapore.

In the first quarter of 2019, Hong Kong's Gross Domestic Product grew at a rate of 0.6%[2], the slowest growth recorded since 2009, as a result of local and global economic uncertainty including the impact of the Sino-US trade war. Accordingly, year-on-year vehicle unit sales in Hong Kong decreased by 14.5%. The market for commercial vehicles contracted by 17.1% in unit sales due to lower replacement demand in the final phases of the Hong Kong government's emission reduction program, as well as a general slowdown in the logistics and infrastructure sectors.

	DCH Unit Sales (Hong Kong)			**Hong Kong Market Unit Sales**		
	1H2019	1H2018	Change	**1H2019**	1H2018	Change
Passenger vehicles	**3,068**	3,398	-9.7%	**14,406**	16,618	-13.3%
Commercial vehicles	**1,329**	1,768	-24.8%	**6,166**	7,438	-17.1%
Total	**4,397**	5,166	-14.9%	**20,572**	24,056	-14.5%

Unit sales for DCH passenger vehicles in Hong Kong outperformed the market and gained market share with a decrease of 9.7% as we managed inventory levels ahead of the implementation of Euro 6c emission standards in September 2019. However, commercial vehicle unit sales declined by 24.8% with commercial truck sales, one of our core vehicle categories, particularly affected by industry slowdowns and reduced overall market size in the final months of the 5-year commercial vehicle replacement program. The adoption of Euro VIc emission standards for commercial vehicles in April 2019 also resulted in inventory clearance by key competitors which further impacted sales and profitability.

The motor related business was steady in revenue and net profit despite the economic slowdown, led by parts trading and aviation support services. Princess Yachts also benefited from a strong sales pipeline following effective brand and sales network management to deliver record high revenue and net profit.

[2] According to the Census and Statistics Department of the Hong Kong Special Administrative Region published in May 2019.

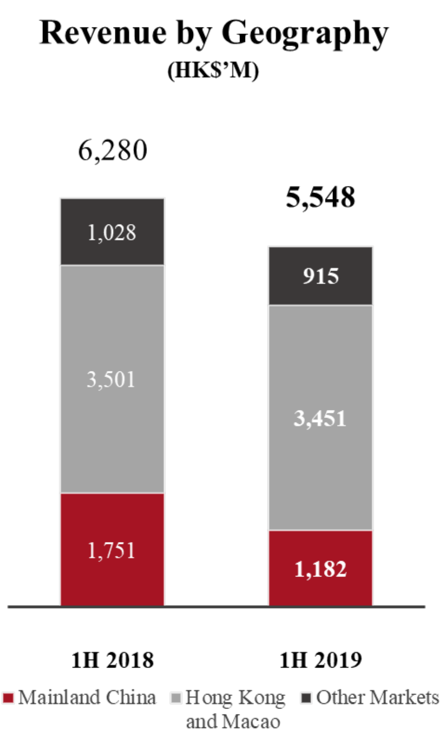
The challenges in the Hong Kong market were partially offset by business recovery in Singapore following the delivery of Euro VI compliant commercial vehicles as well as revenue and profit growth in Taiwan, where we have increased the range of locally assembled models and successfully expanded our fleet services business.

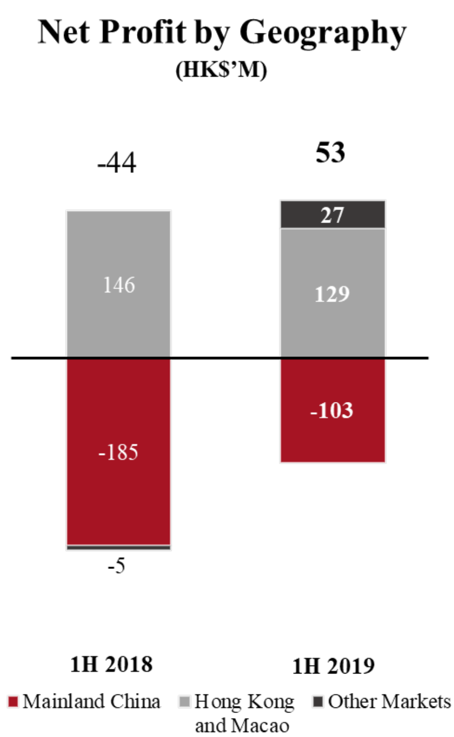
CONSUMER PRODUCTS BUSINESS

DCH is a leading distributor of consumer products across Greater China and Southeast Asia. Distributing over 1,000 brands and 30,000 products, ranging from food and FMCG to healthcare and electrical products, our business extends across brand development, manufacturing, commodity trading, agency distribution, logistics, retail and aftersales. We have operations in mainland China, Hong Kong, Macao, Taiwan, Japan, Singapore, Thailand, Malaysia, Indonesia, the Philippines and Brunei.

The consumer products segment comprises 23.3% of DCH revenue, with Hong Kong and Macao representing the largest geographical segment at 62.2%.

In the first half of 2019, revenue decreased by 11.7% to HK$5,548 million primarily due to ongoing efforts to optimise our markets, brand mix and product portfolios. Net profit was HK$53 million compared to a net loss of HK$44 million in the first half of 2018 as a result of reduced losses in mainland China and successful business restructuring in Southeast Asia.





MAINLAND CHINA

In mainland China, DCH operates a food and FMCG distribution and trading network that covers more than 30 major cities, including Beijing, Shanghai, Guangzhou, Tianjin, Wuhan and Chengdu, as well as two manufacturing facilities and supporting logistics services. Our operations also extend into electrical products and healthcare distribution.

In the first half of 2019, revenue for the mainland China consumer products segment decreased by 32.5% to HK$1,182 million and the net loss was reduced to HK$103 million.

In the food and FMCG business, business reengineering efforts are ongoing amidst slowing economic growth, changing consumer preferences and increasing competition from digital channels. DCH continued to implement stringent operational controls, refining our brand portfolio and exiting non-profitable business streams. We aim to further our expansion into higher value growth areas by targeting the right principals, product categories and channel coverage and are developing opportunities in alcoholic beverages, digital platforms and food service.

The logistics business delivered a double-digit increase in net profit while increasing support to our distribution operations by rationalising the portfolio of external customers and implementing comprehensive efficiency enhancements.

While exploring opportunities to expand in appliance sales and installation for new property developments, the electrical products distribution business focused on building a strong lifestyle electronics portfolio with an increased presence in digital channels.

In the healthcare distribution business, we have restructured and repositioned our in-country team to focus on over-the-counter medicine, supplements and medical devices following the adoption of government policies to support a domestic pharmaceutical industry.

HONG KONG AND MACAO

In Hong Kong and Macao, our food and FMCG business operates an end-to-end supply chain including agency distribution, commodity trading, food processing, own brands and more than 50 retail stores with comprehensive logistics services. In our electrical products business, we distribute, service and retail appliances and audio-visual products for a wide range of multi-national brands. Our healthcare distribution business serves care providers and lifescience companies with product coverage including pharmaceuticals, over-the-counter medicines, medical devices, personal care, nutrition and hospital consumables.

During the period, economic uncertainty continued to impact the market and affect consumer sentiment. Accordingly, revenue for the Hong Kong and Macao consumer products segment decreased by 1.4% to HK$3,451 million and net profit decreased by 11.6% to HK$129 million.

The food and FMCG distribution business recorded decreases in revenue and net profit with stable margin despite market pressure due to the ongoing development of house brands and higher value categories including premium meat, fresh milk and pet food. In the food processing business, we focused on automation and deepening our penetration of the food service market with recipe development to differentiate our products and appeal to changing consumer tastes. In food retail, we have continued to optimise our store network and shopping environments, operating a total of 52 stores including DCH Finest, a newly launched mid-upscale concept, and DCH x Ztore, an online-to-offline partnership.

The logistics business continued to drive synergy while consolidating warehouses and building infrastructure to support development across the Greater Bay Area. Net profit increased as a result of growth in sales to combined internal and external customers and wide-spread efficiency enhancement measures.

In the electrical products distribution business, a decline in the home appliances market triggered fierce retail competition while unseasonal weather impacted sales in certain appliance categories. However, overall revenue and net profit were stable due to improved warehousing efficiencies and an appliance installation project for a residential property development in Macao.

The healthcare distribution business grew in revenue and market share following the opening of a 12-storey distribution centre that will offer customised supply chain solutions including Radio Frequency Identification ("RFID") tracking, specialty cold chain capabilities and robotic shelving. Although net profit decreased primarily due to transition costs, the new infrastructure is garnering significant industry attention and has positioned the business to achieve market leadership by meeting the unique needs of pharmaceutical companies and healthcare providers.

OTHER MARKETS

In the Other Markets consumer products segment, DCH businesses include healthcare and food and FMCG distribution with operations in Japan, Singapore, Thailand, Indonesia, Taiwan, Malaysia, Brunei and the Philippines. We also operate a food and beverage contract manufacturing facility in Malaysia that produces snacks, beverages and healthcare products for Asian markets.

In the first half of the year, revenue decreased by 11.0% to HK$915 million while net profit was HK$27 million, a turnaround from a net loss of HK$5 million in the first half of 2018 after the completion of business streamlining in the Singapore and East Malaysia food and FMCG businesses. Contract manufacturing also delivered double digit gains in net profit due to improved operational efficiencies and an increased share of higher value dairy and milk powder production.

In the healthcare distribution business, net profit declined despite increased revenue due to the implementation of new generic drug policies in Thailand, portfolio composition and ongoing investments in services and infrastructure.

As part of a strategy to better serve multinational principals, we are leveraging our regional presence to offer a differentiating level of coverage while implementing specialised services including emergency delivery, localised RFID inventory and precision climate control. At the same time, we are building new synergies by developing private label capabilities across business streams and working with CITIC companies to identify market expansion opportunities.

OUTLOOK

Looking forward, we anticipate slower economic growth, market uncertainty and industry policies will continue to impact our performance. Meanwhile, our business model as a distributor of motor and consumer products faces long term challenges from a number of factors including evolving customer preferences, increasingly sophisticated and consolidating competition, and potentially disruptive technologies.

In the motor business, DCH will continue to look for investment opportunities to further expand and diversify our 4S shop network in mainland China, particularly in the growing premium segment. At the same time, DCH is also strengthening supporting businesses such as motor leasing and used car sales, while enhancing the service experience through customer lifecycle management.

In the consumer products business, business streamlining in Southeast Asia has generated positive results, but wide-ranging improvements in DCH operations in mainland China are ongoing and will remain a priority. Across our businesses, DCH aims to further integrate the supply chain, drive greater synergies between business units and optimise overall productivity.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

HK$ million	Note	Unaudited Six months ended 30 June **2019**	2018
Revenue	3(a)	**23,821**	24,474
Cost of sales		**(20,494)**	(21,042)
Gross profit		**3,327**	3,432
Other net income	4	**136**	137
Selling and distribution expenses		**(1,837)**	(1,934)
Administrative expenses		**(987)**	(972)
Net impairment losses on financial assets	5(b)	**(18)**	(45)
Profit from operations		**621**	618
Finance costs	5(a)	**(195)**	(107)
Share of profit after tax of associates		**9**	8
Share of profit after tax of joint ventures		**12**	7
Profit before taxation	5	**447**	526
Income tax	6	**(183)**	(184)
Profit for the period		**264**	342
Attributable to:			
Shareholders of the Company		**188**	275
Non-controlling interests		**76**	67
		264	342
Basic and diluted earnings per share (HK cents)	8	**9.97**	14.89

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

HK$ million	**Unaudited Six months ended 30 June 2019**	2018
Profit for the period	**264**	342
Item that will not be reclassified subsequently to profit or loss:		
Financial assets at fair value through other comprehensive income ("FVOCI")	**(27)**	-
	(27)	-
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of entities outside Hong Kong:		
- subsidiaries	**(28)**	(75)
- associates and joint ventures	**(3)**	(5)
Effect on cash flow hedge, net of tax	**(25)**	4
Reserves released upon disposal of subsidiaries	**(1)**	(16)
	(57)	(92)
Other comprehensive income for the period, net of tax	**(84)**	(92)
Total comprehensive income for the period	**180**	250
Attributable to:		
Shareholders of the Company	**112**	189
Non-controlling interests	**68**	61
	180	250

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

HK$ million	Note	**Unaudited 30 June 2019**	Audited 31 December 2018
Non-current assets			
Property, plant and equipment		**4,044**	4,019
Right-of-use assets	2	**4,377**	-
Investment properties		**238**	231
Lease prepayments		**-**	804
Intangible assets		**1,672**	1,723
Goodwill		**2,591**	2,667
Interests in associates		**366**	364
Interests in joint ventures		**328**	288
Other non-current assets		**800**	861
Deferred tax assets		**154**	98
		14,570	11,055
Current assets			
Inventories		**6,819**	6,593
Assets held for sale	9	**83**	-
Debtors and other current assets	10	**7,821**	8,423
Current tax recoverable		**24**	99
Cash and bank deposits		**1,638**	1,093
		16,385	16,208
Current liabilities			
Borrowings		**1,645**	3,269
Lease liabilities		**824**	-
Creditors and other current liabilities	11	**8,645**	8,686
Current tax payable		**191**	137
		11,305	12,092
Net current assets		**5,080**	4,116
Total assets less current liabilities		**19,650**	15,171

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

HK$ million	Note	**Unaudited 30 June 2019**	Audited 31 December 2018
Non-current liabilities			
Borrowings		**5,824**	3,702
Lease liabilities		**2,918**	-
Other non-current liabilities		**197**	177
Deferred tax liabilities		**486**	499
		9,425	4,378
Net assets		**10,225**	10,793
Capital and reserves			
Share capital	12	**1,669**	1,669
Other reserves		**8,079**	8,613
Total equity attributable to shareholders of the Company		**9,748**	10,282
Non-controlling interests		**477**	511
Total equity		**10,225**	10,793

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 2019 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 2018.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 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, which are effective for the current accounting period. Details of any changes in significant 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 2018 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.

1. Basis of preparation (continued)

The financial information relating to the financial year ended 31 December 2018 that is included in this preliminary announcement of interim results for the six months ended 30 June 2019 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 these 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 2018 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

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, none of the developments have had a material impact on how the Group's results and financial position for the current or prior periods have been prepared or presented in the interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) Int 4, *Determining whether an arrangement contains a lease*, HK(SIC) Int 15, *Operating leases – incentives*, and HK(SIC) Int 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements brought forward from HKAS 17 are substantially unchanged.

2. Changes in significant accounting policies (continued)

HKFRS 16, *Leases* (continued)

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non- lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low value assets which are exempted.

2. Changes in significant accounting policies (continued)

HKFRS 16, *Leases* (continued)

(a) Changes in the accounting policies (continued)

(ii) Lessee accounting (continued)

When the Group enters into a lease in respect of a low value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

2. Changes in significant accounting policies (continued)

HKFRS 16, *Leases* (continued)

(a) Changes in the accounting policies (continued)

(ii) Lessee accounting (continued)

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right- of-use asset has been reduced to zero.

(iii) Lessor accounting

The Group leases out certain properties and motor vehicles as the lessor under operating leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

Under HKFRS 16, when the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements in this regard.

2. Changes in significant accounting policies (continued)

HKFRS 16, *Leases* (continued)

(b) Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies

Determining the lease term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liability and right-of-use asset recognised in future years.

(c) Transitional impact

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 4.4%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019; and

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied the same discount rates to leases for similar classes of underlying assets in similar economic environment.

2. Changes in significant accounting policies (continued)

HKFRS 16, *Leases* (continued)

(c) Transitional impact (continued)

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	HK$ million
Operating lease commitments at 31 December 2018	**3,495**
Add: lease payments excluded from operating lease commitments under early termination option	**1,062**
Less: commitments relating to short-term leases and other leases with remaining lease term ending on or before 31 December 2019 recognised exempt from capitalisation	**(57)**
Less: commitments relating to leases contracted but not commenced at 1 January 2019	**(505)**
	3,995
Less: total future interest expenses	**(722)**
Total lease liabilities recognised at 1 January 2019	**3,273**

The right-of-use assets in relation to leases previously classified as operating leases have been recognised as if HKFRS 16 had always been applied since the commencement date of the lease (other than discounting using the relevant incremental borrowing rate at 1 January 2019).

The Group presents right-of-use assets and lease liabilities as separate line items in the consolidated statement of financial position.

2. Changes in significant accounting policies (continued)

HKFRS 16, *Leases* (continued)

(c) Transitional impact (continued)

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

HK$ million	At 31 December 2018	Impacts on adoption of HKFRS 16	**At 1 January 2019**
		(Note)	
Property, plant and equipment	4,019	(210)	**3,809**
Right-of-use assets	-	3,988	**3,988**
Lease prepayments	804	(804)	**-**
Intangible assets	1,723	(8)	**1,715**
Goodwill	2,667	(75)	**2,592**
Other non-current assets	861	(165)	**696**
Deferred tax assets	98	41	**139**
Debtors and other current assets	8,423	(37)	**8,386**
Creditors and other current liabilities	(8,686)	36	**(8,650)**
Current portion of lease liabilities	-	(740)	**(740)**
Non-current portion of lease liabilities	-	(2,533)	**(2,533)**
Retained profits	(8,487)	413	**(8,074)**
Non-controlling interests	(511)	94	**(417)**

Note: Upon initial application of HKFRS 16, the Group has capitalised operating leases contracts and applied HKAS 36, *Impairment of assets* to determine whether any cash generating units ("CGUs") is impaired after the right-of-use assets have been added to such CGUs.

The analysis of the net book value (carried at depreciated cost) of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to HKFRS 16 is as follows:

HK$ million	**At 30 June 2019**	At 1 January 2019
Property, plant and equipment	**3,614**	3,184
Lease prepayments	**763**	804
Total	**4,377**	3,988

3. Revenue and segment reporting

The principal activities of the Group are sales of motor vehicles, provision of motor related business and services, sales of food, healthcare and consumer products, as well as provision of logistics services. Other businesses mainly represent rental income from investment properties.

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 & Other Markets / Mainland China)

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" 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.

3. Revenue and segment reporting (continued)

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 and depreciation of fair value adjustments on assets arising from business combinations and (iii) gain / loss on remeasurement, which are presented as reconciliation items in Note 3(c).

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

HK$ million	**Unaudited Six months ended 30 June 2019**	2018
Sales of motor vehicles, yachts, parts, accessories and motor services	**17,972**	17,962
Sales of food, healthcare and consumer products and logistics services income	**5,548**	6,280
Revenue from other business	**27**	16
Revenue from contracts with customers within the scope of HKFRS 15	**23,547**	24,258
Rental income from motor leasing business	**270**	208
Rental income from leasing of properties	**4**	8
Revenue recognised according to other accounting standards	**274**	216
Total	**23,821**	24,474

3. Revenue and segment reporting (continued)

(b) Segment results

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

HK$ million Unaudited **Six months ended 30 June 2019**	**Motor Business** **Hong Kong, Macao & Other Markets**	**Mainland China**	**Sub-total**	**Consumer Products Business** **Hong Kong & Macao**	**Mainland China**	**Other Markets**	**Sub-total**	**Other Businesses**	**Inter-segment elimination**	**Total**
Revenue from external customers	**3,399**	**14,843**	**18,242**	**3,451**	**1,182**	**915**	**5,548**	**31**	**-**	**23,821**
Inter-segment revenue	**2**	**-**	**2**	**1**	**28**	**-**	**29**	**48**	**(79)**	**-**
Segment revenue	**3,401**	**14,843**	**18,244**	**3,452**	**1,210**	**915**	**5,577**	**79**	**(79)**	**23,821**
Segment result from operations	**265**	**362**	**627**	**147**	**(110)**	**36**	**73**	**17**	**-**	**717**
Share of profit / (loss) after tax of associates	**-**	**2**	**2**	**-**	**10**	**-**	**10**	**(3)**	**-**	**9**
Share of profit after tax of joint ventures	**-**	**8**	**8**	**-**	**-**	**-**	**-**	**4**	**-**	**12**
Segment profit / (loss) before taxation	**265**	**372**	**637**	**147**	**(100)**	**36**	**83**	**18**	**-**	**738**
Segment income tax	**(50)**	**(101)**	**(151)**	**(18)**	**(3)**	**(9)**	**(30)**	**(4)**	**-**	**(185)**
Segment profit / (loss) after taxation	**215**	**271**	**486**	**129**	**(103)**	**27**	**53**	**14**	**-**	**553**

HK$ million Unaudited Six months ended 30 June 2018	Motor Business Hong Kong, Macao & Other Markets	Mainland China	Sub-total	Consumer Products Business Hong Kong & Macao	Mainland China	Other Markets	Sub-total	Other Businesses	Inter-segment elimination	Total
Revenue from external customers	3,542	14,628	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	3,545	14,628	18,173	3,503	1,752	1,028	6,283	70	(52)	24,474
Segment result from operations	289	482	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	289	492	781	172	(175)	4	1	25	-	807
Segment income tax	(57)	(120)	(177)	(26)	(10)	(9)	(45)	(5)	-	(227)
Segment profit / (loss) after taxation	232	372	604	146	(185)	(5)	(44)	20	-	580

3. Revenue and segment reporting (continued)

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

HK$ million	Note	Unaudited Six months ended 30 June **2019**	2018
Segment profit after taxation		**553**	580
Net gain on remeasurement of investment properties	4	**4**	3
Net gain on remeasurement of foreign currency forward contracts	4	**-**	2
Net loss on remeasurement of financial assets at fair value through profit or loss ("FVTPL")	4	**(15)**	(2)
Amortisation and depreciation of fair value adjustments on assets arising from business combinations		**(37)**	(40)
Unallocated corporate expenses		**(243)**	(244)
Reconciliation items before taxation		**(291)**	(281)
Tax impact:			
Non-recoverable tax credit		**(20)**	-
Net tax effect on the above reconciliation items		**22**	43
Reconciliation items net of taxation		**(289)**	(238)
Profit for the period		**264**	342

4. Other net income

HK$ million	Unaudited Six months ended 30 June **2019**	 2018
Advertising and other subsidies from suppliers	**47**	53
Government subsidies	**15**	5
Handling and service charge income	**14**	9
Forfeited deposit from customers	**12**	2
Compensation income	**3**	12
Interest income from bank deposits	**5**	4
Other interest income	**3**	2
Net gain on disposal of subsidiaries	**3**	2
Net gain on disposal of property, plant and equipment	**11**	18
Net gain on remeasurement of investment properties	**4**	3
Net gain on remeasurement of foreign currency forward contracts	**-**	2
Net exchange loss	**(10)**	(6)
Net loss on remeasurement of financial assets at FVTPL	**(15)**	(2)
Others	**44**	33
Total	**136**	137

5. Profit before taxation

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

HK$ million	Unaudited Six months ended 30 June **2019**	2018
(a) Finance costs		
Interest on bank advances and other borrowings	**112**	105
Interest on lease liabilities	**81**	-
Other interest expense	**2**	2
Total	**195**	107
(b) Other items		
Amortisation		
- lease prepayments	**-**	12
- intangible assets	**44**	46
Depreciation		
- property, plant and equipment	**296**	277
- right-of-use assets	**403**	-
Write-down of inventories	**43**	71
Reversal of write-down of inventories	**(34)**	(30)
Net provision of impairment losses on financial assets		
- debtors and other current assets	**18**	45
Minimum lease payments for leases previously classified as operating lease charges under HKAS 17	**-**	480
Expenses relating to short-term leases and leases of low value assets	**121**	-

6. Income tax

Hong Kong Profits Tax is calculated at 16.5% (2018: 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.

	Unaudited	
	Six months ended 30 June	
HK$ million	**2019**	2018
Current tax		
- Hong Kong Profits Tax	**44**	54
- Outside Hong Kong	**166**	158
	210	212
Deferred tax		
- Origination and reversal of temporary differences	**(30)**	(26)
- Net recognition of deferred tax assets on tax losses	**(1)**	(12)
	(31)	(38)
Withholding tax	**4**	10
Total	**183**	184

7. Dividends

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

	Unaudited	
	Six months ended 30 June	
HK$ million	**2019**	2018
Interim dividend declared after the interim period of 4.23 HK cents (2018: 5.05 HK cents) per share	80	94

The interim dividend declared after the end of the reporting period has not been recognised as a liability at 30 June 2019 and 2018.

7. Dividends (continued)

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

	Unaudited	
	Six months ended 30 June	
HK$ million	**2019**	2018
Final dividend approved and payable of 12.38 HK cents (2018: 11.90 HK cents) per share	**233**	220

8. Earnings per share

(a) Basic earnings per share

The basic earnings per share for the six months ended 30 June 2019 was based on the profit attributable to shareholders of the Company of HK$188 million (2018: HK$275 million) and the weighted average number of 1,886,023,825 (2018: 1,847,038,804) ordinary shares in issue during the period.

(b) Diluted earnings per share

The diluted earnings per share for the six months ended 30 June 2019 and 2018 were the same as basic earnings per share as the potential ordinary shares in respect of outstanding share options are anti-dilutive and all share options were lapsed during the period ended 30 June 2019.

9. Assets held for sale

During the six months ended 30 June 2019, certain right-of-use assets and properties situated in Malaysia with the carrying amounts of HK$51 million and HK$32 million, respectively, were reclassified as assets held for sale following the Group's plan of disposal. The disposal is expected to be completed by the end of 2019.

10. Debtors and other current assets

HK$ million	**Unaudited 30 June 2019**	Audited 31 December 2018
Trade debtors and bills receivable, net of loss allowance	**3,402**	3,875
Other receivables, deposits and prepayments	**3,071**	3,159
Finance lease receivables	**916**	931
Assets held on behalf of principals	**653**	650
Contract assets	**82**	110
Amounts due from non-controlling interests	**80**	83
Amounts due from joint ventures	**12**	12
Amounts due from fellow subsidiaries	**4**	4
Amounts due from associates	**-**	1
Derivative financial instruments	**2**	14
	8,222	8,839
Less: Non-current finance lease receivables	**(401)**	(416)
Total	**7,821**	8,423

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 2019**	Audited 31 December 2018
Within 3 months	**3,045**	3,364
More than 3 months but within 1 year	**322**	373
Over 1 year	**35**	138
Total	**3,402**	3,875

10. Debtors and other current assets (continued)

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

11. Creditors and other current liabilities

HK$ million	**Unaudited 30 June 2019**	Audited 31 December 2018
Trade creditors and bills payable	**3,271**	3,565
Other payables and accrued charges	**2,902**	2,533
Contract liabilities	**1,816**	1,998
Amounts due to non-controlling interests	**260**	246
Amounts due to associates	**68**	19
Amounts due to fellow subsidiaries	**17**	19
Provision for product rectification	**59**	55
Forward liabilities	**220**	219
Put option written on non-controlling interests	**30**	30
Derivative financial instruments	**2**	2
Total	**8,645**	8,686

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

HK$ million	**Unaudited 30 June 2019**	Audited 31 December 2018
Current or within 1 month	**3,063**	3,355
More than 1 month but within 3 months	**119**	151
More than 3 months but within 6 months	**42**	29
Over 6 months	**47**	30
Total	**3,271**	3,565

12. Share capital

	Unaudited 30 June 2019		Audited 31 December 2018	
	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	**1,886**	**1,669**	1,886	1,669

13. Comparative figures

The Group has initially applied HKFRS 16 on 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in Note 2.

FINANCIAL REVIEW

PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Profit attributable to shareholders of the Company for the first half of 2019 was HK$188 million, a decrease of 31.6% (first half 2018: HK$275 million). The performance was mainly affected by the decrease in profit of the motor business which was partly offset by reduced losses in the food and FMCG business in mainland China and a turnaround in net profit following business restructuring in Southeast Asia.

As a result of the newly adopted HKFRS 16, *Leases*, operating expenses decreased while finance costs increased, with a minimal net impact to the consolidated statement of profit or loss.

EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2019 was based on the profit attributable to shareholders of the Company and the weighted average number of 1,886,023,825 (first half 2018: 1,847,038,804) ordinary shares in issue during the period. Basic earnings per share was 9.97 HK cents for the six months ended 30 June 2019, a decrease of 33.0% as compared with 14.89 HK cents for the same period of 2018.

The diluted earnings per share for the six months ended 30 June 2019 and 2018 were the same as the basic earnings per share as the potential ordinary shares in respect of outstanding share options are anti-dilutive and all share options were lapsed during the period ended 30 June 2019.

DIVIDEND PER SHARE

An interim dividend of 4.23 HK cents (First half of 2018: 5.05 HK cents) per share was declared after the end of the reporting period.

FINANCE COSTS

The Group’s finance costs increased by 82.2% to HK$195 million (first half 2018: HK$107 million) mainly due to additional finance costs in relation to lease liabilities recognised under HKFRS 16.

INCOME TAX

Income tax was HK$183 million (first half 2018: HK$184 million). The effective tax rate for the period increased to 40.9% (first half 2018: 35.0%) primarily due to a write off of a non-recoverable tax credit.

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$10,225 million (31 December 2018: HK$10,793 million) and the 1,886,023,825 ordinary shares in issue as at 30 June 2019 (31 December 2018: 1,886,023,825 ordinary shares). The decrease in net asset value mainly reflects the impact of the adoption of HKFRS 16. Net asset value per share at 30 June 2019 was HK$5.42 (31 December 2018: HK$5.72).

CAPITAL EXPENDITURE

In the first half of 2019, the Group's total capital expenditure on property, equipment and lease prepayments was HK$669 million (first half 2018: HK$502 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 business in Hong Kong and mainland China, fixtures and fittings, office renovation and equipment
Consumer Products Business	• Office renovation, fixtures and fittings, equipment and logistics facilities
Other Businesses and Corporate Offices	• Office renovation, fixtures and fittings and equipment

HK$ million	**1-6/2019**	1-6/2018	Change
Motor Business	**547**	348	199
Consumer Products Business	**78**	66	12
Other Businesses	**-**	14	(14)
Corporate Offices	**44**	74	(30)
Total	**669**	502	167

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 the 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 the 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 according to the Group's treasury policy and they are closely monitored by the head office. Financing activities outside of Hong Kong are led by the head office and approved by the head office before execution.

CASH FLOW

Summary of condensed consolidated cash flow statement

HK$ million	**1-6/2019**	1-6/2018	Change
Operating profit before changes in working capital	**1,386**	945	441
(Increase) / decrease in working capital	**(175)**	94	(269)
Cash generated from operations	**1,211**	1,039	172
Income tax paid	**(84)**	(343)	259
Net cash generated from operating activities	**1,127**	696	431
Net cash used in investing activities	**(714)**	(763)	49
Net cash generated from / (used in) financing activities	**226**	(25)	251
Net increase / (decrease) in cash and cash equivalents	**639**	(92)	731

Cash and cash equivalents at 1 January	**885**	1,013	(128)
Net increase / (decrease) in cash and cash equivalents	**639**	(92)	731
Effect of foreign exchange rates changes	**(2)**	(10)	8
Cash and cash equivalents at 30 June	**1,522**	911	611

Overview

The Group maintained a healthy cash position. Operating profit before changes in working capital amounted to HK$1,386 million (first half 2018: HK$945 million) for the period. Working capital increased by HK$175 million. Net cash used in investing activities was HK$714 million, while net cash received in financing activities was HK$226 million. At 30 June 2019, the cash and cash equivalents balance was HK$1,522 million, an increase of HK$637 million compared to the beginning of the period (31 December 2018: HK$885 million).

Operating profit before changes in working capital

Profit before taxation was HK$447 million for the six months ended 30 June 2019 (first half 2018: HK$526 million). After adding back non-cash items, cash generated from operating profit before changes in working capital was HK$1,386 million (first half 2018: HK$945 million).

Cash flow from changes in working capital

Working capital increased by HK$175 million (first half 2018: decreased by HK$94 million) which included the increase in inventories of HK$236 million (first half 2018: increased by HK$399 million) and the decrease in creditors and other current liabilities of HK$296 million (first half 2018: decreased by HK$248 million) being offset by the decrease in debtors and other current assets of HK$357 million (first half 2018: decreased by HK$741 million). The increase in inventories was mainly due to the increase in stock of Euro V commercial vehicles ahead of the adoption of the new emission standards in Taiwan. The decrease in trade and other receivables was driven by the improvement in collection and receivables ageing management in the consumer products business.

Net cash generated from operating activities

After deducting investment in working capital of HK$175 million, cash generated from operations was HK$1,211 million (first half 2018: HK$1,039 million). Netting income tax payment of HK$84 million (first half 2018: HK$343 million), net cash generated from operating activities was HK$1,127 million (first half 2018: HK$696 million).

Net cash used in investing activities

Net cash used in investing activities was HK$714 million (first half 2018: HK$763 million) which included the investment in CITIC Capital International Tourism Fund of HK$160 million.

Net cash generated from financing activities

Net cash generated from financing activities was HK$226 million (first half 2018: HK$25 million used in financing activities) which comprises net proceeds from bank loans of HK$578 million (first half 2018: HK$121 million) and the net inflow from non-controlling interests of HK$31 million (first half 2018: net outflow of HK$41 million), offset by an interest payment of HK$112 million (first half 2018: HK$105 million) and the principal and interest payment for lease liabilities of HK$271 million.

GROUP DEBT AND LIQUIDITY

The cash and debt position of the Group at 30 June 2019 is summarised as follows:

HK$ million	**30 June 2019**	31 December 2018	Change
Total debt	**7,469**	6,971	498
Cash and bank deposits	**1,638**	1,093	545
Net debt	**5,831**	5,878	(47)

At 30 June 2019, the Group's net debt position was HK$5,831 million (31 December 2018: HK$5,878 million), a decrease of HK$47 million as a result of the increase in debt of HK$498 million and offset by the increase in cash of HK$545 million. The Group's net debt position was maintained at the 2018 year end level.

The original denomination of the Group's borrowings and cash and bank deposits by currency at 30 June 2019 is summarised as follows:

HK$ million equivalent	HKD	RMB	JPY	USD	SGD	NTD	THB	Others	**Total**
Total debt	5,892	270	131	868	-	308	-	-	**7,469**
Cash and bank deposits	169	1,224	32	21	44	13	65	70	**1,638**
Net debt / (cash)	5,723	(954)	99	847	(44)	295	(65)	(70)	**5,831**

The Group's debt was mainly denominated in HKD. The Group held more cash in RMB as our major cash generating business is the motor business in mainland China.

Leverage

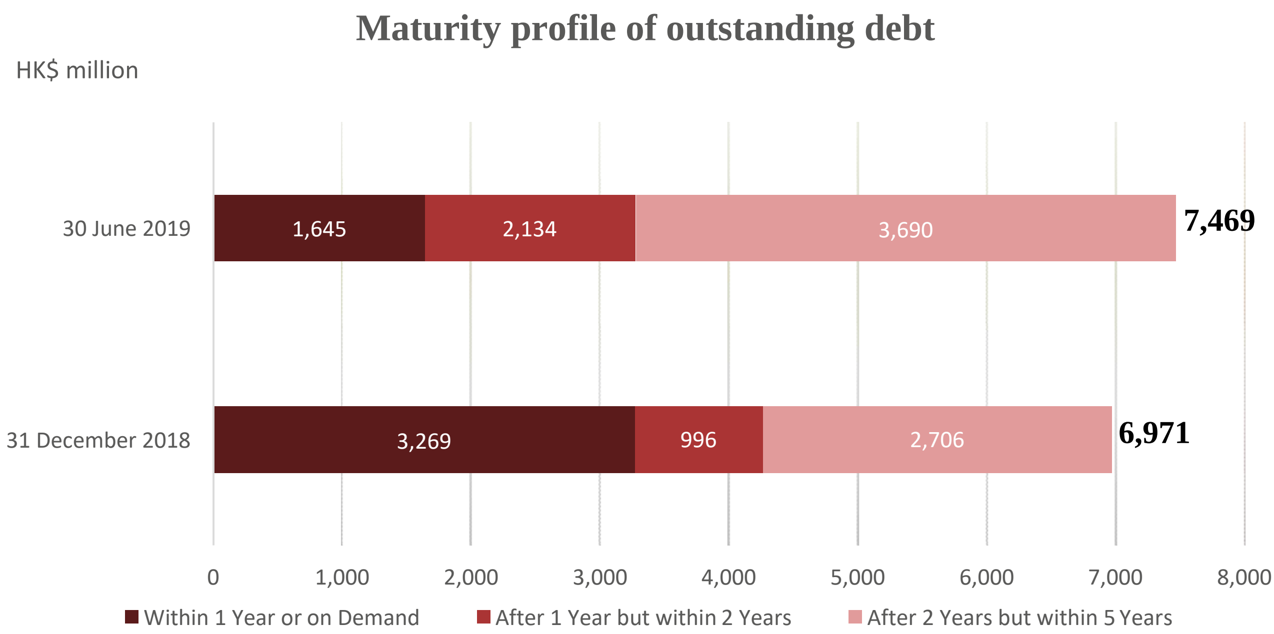
The below table shows the total capital and the net gearing ratio of the Group at 30 June 2019 and 31 December 2018:

HK$ million	**30 June 2019**	31 December 2018	Change
Net debt	**5,831**	5,878	(47)
Shareholders' funds	**9,748**	10,282	(534)
Total capital	**15,579**	16,160	(581)
Net gearing ratio	**37.4%**	36.4%	1.0% point

The Group's net gearing ratio was 37.4%. The effective interest rate of the Group's borrowings for the period was 3.3% (31 December 2018: 3.1%). The Group continued actively negotiating with banks to lower the financing margin.

Maturity profile of outstanding

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 2019 and 31 December 2018:



The portion of debt maturing within 1 year or on demand decreased while debt maturing after 2 years increased because of the refinancing of matured term loans during the period. The Group will continue to refinance term loans upon maturity and maintain a healthy maturity profile.

Sources of financing

The table below shows the sources of financing at 30 June 2019:

HK$ million	**30 June 2019**	31 December 2018	Change
Utilised term loans and revolving loans	**6,342**	5,965	377
Utilised money market lines	**1,135**	1,011	124
Others	**(8)**	(5)	(3)
Total	**7,469**	6,971	498

Committed vs uncommitted facilities

HK$ million	**30 June 2019**			31 December 2018		
	Total	**Utilised**	**Available**	Total	Utilised	Available
Committed facilities:						
Term loans and revolving loans	**6,542**	**6,342**	**200**	6,185	5,965	220
Uncommitted facilities:						
Money market lines	**11,150**	**1,135**	**10,015**	11,221	1,011	10,210
Total loan facilities	**17,692**	**7,477**	**10,215**	17,406	6,976	10,430
Trading facilities	**5,888**	**564**	**5,324**	5,739	645	5,094
Total	**23,580**	**8,041**	**15,539**	23,145	7,621	15,524

The Group maintains sufficient banking facilities to support the business. At 30 June 2019, facilities totalled HK$23,580 million including total loan facilities of HK$17,692 million and trading facilities of HK$5,888 million. Within the total loan facilities of HK$17,692 million, committed facilities totalled HK$6,542 million, representing 37% of total loan facilities. Uncommitted facilities totalled HK$11,150 million, representing 63% of total loan facilities. Utilised loan facilities totalled HK$7,477 million, representing 42% of total loan facilities. Undrawn available loan facilities totalled HK$10,215 million. The Group will ensure adequate financing resources are maintained to support the future growth of the business.

PLEDGED ASSETS

At 30 June 2019, the Group's assets of HK$306 million (31 December 2018: HK$275 million) were pledged in relation to the financing of issuance of bank acceptance drafts and the purchase of vehicle stock in mainland China.

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 2019, 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 2019, the Group had a total of 16,915 employees, with 10,836 in mainland China, 4,464 in Hong Kong and Macao, and 1,615 in other locations, including Japan, Taiwan, Singapore, Myanmar, Indonesia, Malaysia, Brunei, Thailand and the Philippines. The number of employees decreased by 3.9% as of December 2018 and decreased by 2.2% as of June 2018.

Location	**June 2019**	December 2018	June 2018	June 2019 vs. December 2018	June 2019 vs. June 2018
Mainland China	**10,836**	11,484	11,196	-5.6%	-3.2%
Hong Kong & Macao	**4,464**	4,515	4,453	-1.1%	0.3%
Other Locations	**1,615**	1,597	1,649	1.1%	-2.1%
Total	**16,915**	17,596	17,298	-3.9%	-2.2%

DCH offers competitive compensation and benefits to attract, motivate and retain talent. An annual review of these programs is conducted to ensure market competitiveness and 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.

We recognise that the dedication of our employees is core to sustaining long term business success. In 2019, we continued to invest in talent development by providing a wide range of internal and external training courses. As of 30 June 2019, more than 31,000 participants attended over 93,000 hours of corporate culture, leadership and management, sales and services, technical, personal effectiveness and compliance training programmes. To embrace the latest knowledge practices on innovation, change and digitalisation, we launched a series of educational forums for general staff as well as an Executive Development Programme. We also organised social, recreational and wellness activities for employees and their family members to boost employee engagement, enhance productivity and maximise business value.

At DCH, we strive to provide a safe and healthy working environment for all employees. We have established safety management systems which include occupational health and safety polices and standard operating procedures for environment, health and safety. Our policies outline our commitment to identify, assess and eliminate workplace related dangers, as well as provide information, training and protective equipment to ensure the safety of our team members. Regular reviews and audits of safety management systems are performed annually in accordance with the statutory and industry requirements.

CORPORATE GOVERNANCE

DCH is committed to maintaining high standards of corporate governance. The Board of Directors of DCH 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 2018 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 2019.

The Audit Committee of the Board, consisting of five independent non-executive directors, has reviewed the Interim Report 2019 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 of Directors has declared an interim dividend of 4.23 HK cents (2018: 5.05 HK cents) per share for the year ending 31 December 2019 payable on Monday, 30 September 2019 to shareholders whose names appear on the Register of Members of DCH on Friday, 6 September 2019. The Register of Members of DCH will be closed from Wednesday, 4 September 2019 to Friday, 6 September 2019, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 3 September 2019.

PURCHASE, SALE OR REDEMPTION OF SHARES

DCH has not redeemed any of its shares during the six months ended 30 June 2019. Neither DCH nor any of its subsidiary companies has purchased or sold any of DCH's shares during the six months ended 30 June 2019.

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 2019 will be made available on the respective websites of DCH and the Stock Exchange on or about Wednesday, 18 September 2019.

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

Hong Kong, 19 August 2019

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

Executive Directors: Lai Ni Hium and Lee Tak Wah

Non-executive Directors: Zeng Chen (Chairman), Yin Ke, 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