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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
CONTINUING CONNECTED TRANSACTIONS
TENANCY AGREEMENTS

Renewal of Tenancy Agreements

Reference is made to the announcement of the Company dated 29 May 2015 regarding, among other things, the leasing of certain properties in Hong Kong by the Company from the respective Landlords. The Company intends to renew the tenancy for such properties (other than 12th Floor, CITIC Telecom Tower).

Accordingly, the Company and the respective Landlords entered into the Renewal Tenancy Agreements dated 31 May 2018, to govern the terms of the leasing of the Renewal Properties to the Company upon the expiry of the Previous Tenancy Agreements for a further term of three years commencing from 1 June 2018 and expiring on 31 May 2021.

The Wyler Centre Tenancy Agreement

On 31 May 2018, DCH Auriga, an indirect wholly-owned subsidiary of the Company, entered into a tenancy agreement as tenant with Famous Land, an indirect wholly-owned subsidiary of CITIC Pacific, as landlord, pursuant to which DCH Auriga will lease the Wyler Centre Property for the term of seven months commencing from 1 June 2018 and expiring on 31 December 2018.

Listing Rules Implication

One of the Landlords, Neostar Investment Limited, is an indirect wholly-owned subsidiary of CITIC Telecom, a subsidiary of CITIC Limited (a controlling shareholder of the Company). The rest of the Landlords and Famous Land are indirect wholly-owned subsidiaries of CITIC Pacific, a wholly-owned subsidiary of CITIC Limited. Therefore, all of the Landlords and Famous Land are connected persons of the Company. Accordingly, the transactions contemplated under the Tenancy Agreements constitute continuing connected transactions for the Company under the Listing Rules.

As the relevant percentage ratios in respect of the Annual Caps exceed 0.1% but are less than 5%, the transactions contemplated under the Tenancy Agreements are subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirement under the Listing Rules.

INTRODUCTION

On 31 May 2018, the Company and the respective Landlords entered into the Renewal Tenancy Agreements to govern the terms of the leasing of the Renewal Properties to the Company upon the expiry of the Previous Tenancy Agreements for a further term of three years commencing from 1 June 2018 and expiring on 31 May 2021.

Further, on 31 May 2018, DCH Auriga, an indirect wholly-owned subsidiary of the Company, entered into the Wyler Centre Tenancy Agreement as tenant with Famous Land, an indirect wholly-owned subsidiary of CITIC Pacific, as landlord, pursuant to which DCH Auriga will lease the Wyler Centre Property for the term of seven months commencing from 1 June 2018 and expiring on 31 December 2018.

THE RENEWAL TENANCY AGREEMENTS

Date

31 May 2018

Parties

- (1) the Company, being the tenant of the Renewal Properties; and
- (2) the respective Landlords (one of which, namely Neostar Investment Limited, is an indirect wholly-owned subsidiary of CITIC Telecom and the rest of which are indirect wholly-owned subsidiaries of CITIC Pacific), being the respective landlords of the Renewal Properties.

Term

The term of the tenancy for each of the Renewal Properties is three years commencing from 1 June 2018 and expiring on 31 May 2021.

Description of the Renewal Properties and Monthly Rentals

Set out below are the details of the Renewal Properties and the corresponding monthly rentals under each of the relevant Renewal Tenancy Agreement:

<u>Location</u>	<u>Monthly Rental</u> HK\$
7/F-11/F, CITIC Telecom Tower, 93 Kwai Fuk Road, Kwai Chung, New Territories, Hong Kong	1,177,996
Block C of Yee Lim Industrial Centre, Nos. 2-6 Kwai Hei Street and Nos. 2-28 Kwai Lok Street, Kwai Chung, New Territories, Hong Kong	2,836,928

<u>Location</u>	<u>Monthly Rental</u> HK\$
Factory Unit A (also known as Factory Unit 1) on G/F (including loading and unloading platform) and Car Parking Space No. 112 on G/F of Tsuen Wan Industrial Centre, Nos. 220-248 Texaco Road, Tsuen Wan, New Territories, Hong Kong	538,221
Unit A on G/F, Units 1A, 1B and 1C on 1/F, Portion on 1/F, 2/F, Storeroom on 7/F and Portion on 8/F and Unit C on 12/F of No. 111 Lee Nam Road, Ap Lei Chau, Hong Kong	2,051,879
DCH Building, No. 20 Kai Cheung Road, Kowloon, Hong Kong	13,697,321

For the financial years ended 31 December 2015, 2016 and 2017, the aggregate rentals, management fees and other outgoings (other than those which are collected by the Landlords from the Company for payment to independent third parties) paid by the Company to the Landlords in respect of the leasing of the Renewal Properties and 12th Floor, CITIC Telecom Tower under the Previous Tenancy Agreements were approximately HK\$125.3 million, HK\$214.8 million and HK\$215.0 million, respectively.

The terms (including the rentals payable) under the Renewal Tenancy Agreements for the Renewal Properties were negotiated on an arms' length basis and are determined with reference to the current rental for the Renewal Properties under the Previous Tenancy Agreements and an internal comparison analysis of the open market rental of various available properties of comparable size and location under the current market condition.

THE WYLER CENTRE TENANCY AGREEMENT

Date

31 May 2018

Parties

- (1) DCH Auriga, being the tenant; and
- (2) Famous Land, an indirect wholly-owned subsidiary of CITIC Pacific, being the landlord.

Property

Wyler Centre Property, located at 7/F, Wyler Centre I, 202-210 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong

Term

A period of seven months commencing from 1 June 2018 and expiring on 31 December 2018.

Monthly Rental

HK\$322,968 per month (subject to two months' rent free period)

The terms (including the rentals payable) under the Wyler Centre Tenancy Agreement were negotiated on an arms' length basis and are determined with reference to the prevailing market rates for similar properties in the vicinity.

ANNUAL CAPS

The expected maximum amounts (including rentals, management fees and other outgoings (other than those which are collected by the Landlords and Famous Land from the Company and DCH Auriga respectively for payment to independent third parties)) payable under the Tenancy Agreements for the financial years ending 31 December 2018, 2019, 2020 and 2021 will be approximately HK\$161.6 million, HK\$274.2 million, HK\$298.8 million and HK\$125.2 million respectively, among which, for illustrative purpose only, the expected amounts payable to the Landlords (except Neostar Investment Limited) and Famous Land which are wholly-owned subsidiaries of CITIC Pacific will be HK\$150.6 million, HK\$255.2 million, HK\$278.7 million and HK\$116.2 million and the expected amounts payable to Neostar Investment Limited, which is an indirect wholly-owned subsidiary of CITIC Telecom, will be HK\$11.0 million, HK\$19.0 million, HK\$20.1 million and HK\$9.0 million for the financial years ending 31 December 2018, 2019, 2020 and 2021 respectively.

The Annual Caps were determined with reference to the rentals paid by the Company for the relevant period under the Previous Tenancy Agreements, the rentals stipulated in the Tenancy Agreements, the historical and currently payable management fees, the expected increment to the management fees over the term of the Tenancy Agreements, and the estimated outgoings in respect of the properties.

The amount paid under the Previous Tenancy Agreements by the Company to the Landlords for the period from 1 January 2018 to 31 May 2018 was HK\$89.7 million.

GENERAL

The Group is an integrated motor and consumer products distribution company operating in Asia with an extensive logistics network. The Group is a leading distributor and dealer of motor vehicles in Greater China and provides a full range of motor related services including maintenance, rental, repair and financing. The Group's consumer products business includes the distribution of food and fast moving consumer goods, healthcare and electronic products as well as food processing, trading and retail.

DCH Auriga is a distributor of healthcare products in Hong Kong.

The principal business activities of the Landlords and Famous Land are property investment.

CITIC Telecom was established in 1997 in Hong Kong and was listed on the Stock Exchange on 3 April 2007.

CITIC Telecom Group's services cover international telecommunications services (including mobile, Internet, voice and data services), integrated telecoms services (in Macau), and through its wholly owned subsidiary CITIC Telecom International CPC Limited ("CPC"), has established numerous Point(s)-of-Presence around the world to provide data and telecoms services (including Virtual Private Network, cloud, network security, co-location and Internet access, etc.) to multinational corporations. CPC is one of the most trusted partners of leading multinational and business enterprises in the Asia-Pacific region.

CITIC Telecom Group holds 99% equity interest in Companhia de Telecomunicações de Macau, S.A.R.L. (“CTM”). CTM is one of the leading integrated telecoms services providers in Macau, and is the only full telecoms services provider in Macau. It has long provided quality telecoms services to the residents, government and enterprises of Macau, and plays an important role in the ongoing development of Macau.

CITIC Limited is China’s largest conglomerate with total assets over US\$900 billion. Among its diverse global businesses, CITIC Limited focuses primarily on financial services, resources and energy, manufacturing, engineering contracting and real estate. CITIC Limited enjoys leading market positions in sectors well matched to China’s economy. CITIC’s rich history, diverse platform and strong corporate culture across all businesses ensure that CITIC Limited is unrivalled in capturing opportunities arising in China. CITIC Limited is listed on the Stock Exchange, where it is a constituent of the Hang Seng Index.

REASONS FOR AND BENEFITS OF THE TENANCY AGREEMENTS

The properties under the Tenancy Agreements are for the operations of the Company’s business in Hong Kong and is primarily used for, including but not limited to, motor vehicle services, workshops, showrooms, warehouses, ancillary offices, processing operations and the healthcare distribution centre of the Company.

The Directors (including the independent non-executive Directors) consider that (i) the terms of the transactions contemplated under the Tenancy Agreements are in the ordinary and usual course of the business of the Company on normal commercial terms, which are arrived at after arm’s length negotiations and by reference to an internal comparison analysis of the open market rental of various available properties of comparable size and location under the current market condition; and (ii) the terms contained in the Tenancy Agreements and the Annual Caps are fair and reasonable and in the interests of the Company and its shareholders as a whole.

As Mr. Kwok Man Leung and Mr. Fei Yiping are directors of CITIC Pacific, Famous Land and the Landlords (except Neostar Investment Limited) and Mr. Zhang Jijing is a director of CITIC Pacific, they have abstained from voting on the Board resolutions passed to approve the Tenancy Agreements with a view to avoid a perception of a conflict of interest.

LISTING RULES IMPLICATIONS

One of the Landlords, Neostar Investment Limited, is an indirect wholly-owned subsidiary of CITIC Telecom, a subsidiary of CITIC Limited (a controlling shareholder of the Company). The rest of the Landlords and Famous Land are indirect wholly-owned subsidiaries of CITIC Pacific, a wholly-owned subsidiary of CITIC Limited. Therefore, all of the Landlords and Famous Land are connected persons of the Company. Accordingly, the transactions contemplated under the Tenancy Agreements constitute continuing connected transactions for the Company under the Listing Rules.

As the relevant percentage ratios in respect of the Annual Caps exceed 0.1% but are less than 5%, the transactions contemplated under the Tenancy Agreements are subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders’ approval requirement under the Listing Rules.

OTHER LICENSING ARRANGEMENTS

The Company has also entered into certain licensing arrangements in respect of car parking spaces and signage with the relevant Landlords at CITIC Telecom Tower and the Ap Lei Chau Building, and the expected maximum amounts payable under these licensing arrangements for the financial years ending 31 December 2018, 2019, 2020 and 2021 are approximately HK\$2.6 million, HK\$2.3 million, HK\$2.5 million and HK\$1.1 million, respectively. Such licensing arrangements fall within the de minimis exemption under Rule 14A.76 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“Annual Caps”	the expected maximum amounts (including rentals, management fees and other outgoings (other than those which are collected by the Landlords and Famous Land from the Company and DCH Auriga respectively for payment to independent third parties)) payable under the Tenancy Agreements for the financial years ending 31 December 2018, 2019, 2020 and 2021;
“Ap Lei Chau Building”	the building situated at No. 111 Lee Nam Road, Ap Lei Chau, Hong Kong;
“connected person”; “continuing connected transaction”; “controlling shareholder”; and “subsidiary”	each has the meaning ascribed to it by the Listing Rules;
“Board”	the board of Directors;
“CITIC Limited”	CITIC Limited (中國中信股份有限公司), a company incorporated in Hong Kong with limited liability with its shares listed on the Stock Exchange (Stock Code: 00267);
“CITIC Telecom”	CITIC Telecom International Holdings Limited (中信國際電訊集團有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange (Stock Code: 01883) and a subsidiary of CITIC Limited;
“CITIC Telecom Tower”	CITIC Telecom Tower situated at 93 Kwai Fuk Road, Kwai Chung, New Territories, Hong Kong;
“Company”	Dah Chong Hong Holdings Limited (大昌行集團有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange (stock code: 01828), and an indirect non-wholly owned subsidiary of CITIC Limited;

“CITIC Pacific”	CITIC Pacific Limited (中信泰富有限公司), a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of CITIC Limited;
“DCH Auriga”	DCH Auriga (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company;
“Directors”	the directors of the Company;
“Famous Land”	Famous Land Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of CITIC Pacific and the landlord under the Wyler Centre Tenancy Agreement;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Landlords”	Borgia Limited, Tendo Limited, Neostar Investment Limited, Glenridge Company Limited and Hamborex Company, Limited, all being indirect subsidiaries of CITIC Limited;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Previous Tenancy Agreements”	the tenancy agreements governing the terms of the tenancies in respect of the Renewal Properties (and 12th Floor, CITIC Telecom Tower), entered into between the Company and the respective Landlords on 29 May 2015 for a term of three years commencing from 1 June 2015 and expiring on 31 May 2018;
“Renewal Properties”	the properties in Hong Kong leased to the Company by the respective Landlords under the Renewal Tenancy Agreements, the details of which are set out in the table in the section headed “Description of the Renewal Properties and Monthly Rentals” in this announcement;
“Renewal Tenancy Agreements”	the tenancy agreements in respect of the Renewal Properties entered into between the Company and the respective Landlords on 31 May 2018 for a further term of three years commencing from 1 June 2018 and expiring on 31 May 2021, and each a “Renewal Tenancy Agreement”;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Tenancy Agreements”	the Renewal Tenancy Agreement and the Wyler Centre Tenancy Agreement;

“Wyler Centre Property”	7th Floor, Wyler Centre I, 202-210 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong;
“Wyler Centre Tenancy Agreement”	the tenancy agreement in respect of the Wyler Centre Property entered into between the Company and Famous Land on 31 May 2018 for a term of seven months commencing from 1 June 2018 and expiring on 31 December 2018; and
“%”	per cent.

By order of the board
Dah Chong Hong Holdings Limited
Lai Ni Hium
Executive Director and Chief Executive Officer

Hong Kong, 31 May 2018

As at the date of this announcement, the Directors 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, Cheng Jinglei