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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: 1828)

ANNOUNCEMENT
CONTINUING CONNECTED TRANSACTIONS
RENEWAL OF TENANCY AGREEMENT

The Board announces that as the 2015 Sub-Tenancy Agreement has expired on 7 May 2018 and the 2018 Short-term Tenancy Renewal has expired on 7 June, 2018, on 13 June 2018, MHK, an indirect non-wholly owned subsidiary of CITIC Limited, has accepted and entered into the 2018 Tenancy Renewal Offer with the Sub-tenants, all being direct or indirect wholly-owned subsidiaries of the Company, to govern the terms of the leasing of the Premises to the Sub-tenants upon the expiry of the 2018 Short-term Tenancy Renewal.

As at the date of this announcement, MHK is a direct wholly-owned subsidiary of MCML, which is in turn an indirect non-wholly owned subsidiary of CITIC Limited, the controlling shareholder of the Company. Since MHK is an indirect non-wholly owned subsidiary of CITIC Limited, it is a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the 2018 Tenancy Renewal Offer constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the annual caps of the 2018 Tenancy Renewal Offer exceeds 0.1% but is below 5%, the transactions contemplated thereunder are subject to the reporting, annual review and announcement requirements but exempt from the independent Shareholders' approval requirement pursuant to Chapter 14A of the Listing Rules.

BACKGROUND

The Board announces that as the 2015 Sub-Tenancy Agreement has expired on 7 May 2018 and the 2018 Short-term Tenancy Renewal has expired on 7 June 2018, on 13 June 2018, MHK, an indirect non-wholly owned subsidiary of CITIC Limited, has accepted and entered into the 2018 Tenancy Renewal Offer with the Sub-tenants, all being direct or indirect wholly-owned subsidiaries of the Company, to govern the terms of the leasing of the Premises to the Sub-tenants upon the expiry of the 2018 Short-term Tenancy Renewal, the principal terms of which are set out below.

THE 2018 TENANCY RENEWAL OFFER

- Acceptance Date** : 13 June 2018
- Parties** : (i) the Sub-tenants, all being direct or indirect wholly-owned subsidiaries of the Company and the co-subtenants of the Premises
- (ii) MHK, being an indirect non-wholly owned subsidiary of CITIC Limited and the tenant of the Premises
- Premises** : Portion B of Shops Nos. 1-41 on the Ground Floor of the Podium of Admiralty Centre, 18 Harcourt Road, Hong Kong
- Term** : From 8 June 2018 to 17 May 2021 (both days inclusive)
- Rent** : HK\$990,000.00 per month (exclusive of management fee and air-conditioning charges), payable monthly in advance on the first day of each month
- Management Fee & Air-Conditioning Charges** : HK\$52,000.00 per month (subject to adjustment), payable monthly in advance on the first day of each month
- Deposit** : HK\$3,237,000.00 (being 3 months' rent, management fee and air-conditioning charges and government rates)
- The deposit shall be returnable by MHK in full within 30 days after expiry of the term if there is no outstanding breach.
- Conditions Precedent** : The 2018 Tenancy Renewal Offer is subject to and conditional upon execution of an agreement for tenancy on or before 11 May 2018 by the Sub-tenants to the Landlord for the period between 18 May 2021 to 17 May 2024 (both days inclusive).
- Such condition has been fulfilled as at the date of this announcement.
- To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, the Landlord and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined in the Listing Rules).
- Special Conditions** : The Sub-tenants agree to, at their own costs, expenses and time, carry out renovation of the Premises and complete the same to the reasonable satisfaction of MHK on or before 30 April 2019, failing which MHK has the right to forthwith terminate the 2018 Tenancy Renewal Offer and have the deposit forfeited.

Annual caps : The expected maximum amounts (including rentals, management fees and air conditioning charges) payable by the Sub-tenants to MHK for the financial years ending 31 December 2018, 2019, 2020 and 2021 will be as follows:-

Year ending 31 December	Annual caps (HK\$ million)
2018	13.8
2019	13.8
2020	13.8
2021	5.3

In arriving at the aforesaid expected maximum amounts payable by the Sub-tenants to MHK, the Company have made reference to (i) the rentals, management fees and air conditioning charges paid or to be paid to MHK during the term of the Previous Tenancy Agreements; (ii) the rentals, management fees and air conditioning charges (which are determined with reference to the prevailing market rates for properties of comparable size and use in the area as provided or published by property agents or which are currently rented by the Group) to be payable annually during the term and as provided in the 2018 Tenancy Renewal Offer; (iii) an expected annual increment in the management fees and air conditioning charges, based on the prevailing market condition in the past few years and the expected market trend; and (iv) inflation and contingency adjustments on all costs. In particular, the annual cap for the year ending 31 December 2018 has taken into account the rentals, management fees and air conditioning charges paid or to be paid to MHK in 2018 pursuant to the Previous Tenancy Agreements and the 2018 Tenancy Renewal Offer.

Historical transaction amounts under the Previous Tenancy Agreements : The 2015 Sub-Tenancy Agreement became a continuing connected transaction of the Company upon Completion on 31 July 2017 when MHK became a subsidiary of CITIC Limited.

The rentals and management fees and air-conditioning charges (subject to adjustment) paid per month pursuant to the 2015 Sub-Tenancy Agreement is HK\$990,000 and HK\$51,428.40, respectively. The table below sets out the historical transaction amounts (including rentals, management fees and air conditioning charges) paid by DCHL to MHK under the Previous Tenancy Agreements since Completion:

Relevant Period	Historical transaction amount (HK\$ million)
2015 Sub-Tenancy Agreement	
31 July 2017 - 31 December 2017	5.3
1 January 2018 - 7 May 2018	4.4
2018 Short-term Tenancy Renewal	
8 May 2018 and 7 June 2018	1.0

Since Completion, the consideration ratio (as the highest applicable percentage ratio) in respect of each of:

- (i) the 2015 Sub-Tenancy Agreement and
- (ii) Previous Tenancy Agreements in aggregate

based on the above was less than 0.1% and hence below the de minimis threshold under Rule 14A.76 of the Listing Rules. Therefore, the Company was exempted from any reporting requirements for Previous Tenancy Agreements since Completion.

REASONS FOR AND BENEFITS OF ENTERING INTO THE 2018 TENANCY RENEWAL OFFER

DCHL has been leasing the Premises from MHK as a motor-vehicle showroom. The Company considers that it would be beneficial to the Sub-tenants to enter into the 2018 Tenancy Renewal Offer to renew the lease of the Premises after taking into account the accessibility and prime location of the Premises, which is situated in Admiralty, and the familiarity of the location of the Premises as the Group's motor business showroom to existing customers.

The Directors (including the independent non-executive Directors) consider that the terms of the 2018 Tenancy Renewal Offer and the continuing connected transactions contemplated thereunder (including the annual caps) (i) are entered into in the ordinary and usual course of business of the Group; (ii) were negotiated on an arm's length basis and are on normal commercial terms; and (iii) are fair and reasonable and in the interests of the Shareholders and the Company as a whole.

None of the Directors have material interest in the transactions under the 2018 Tenancy Renewal Offer and none of them were required to abstain from voting on the board resolutions in relation to the transactions pursuant to the articles of association of the Company.

LISTING RULES IMPLICATIONS

As at the date of this announcement, MHK is a direct wholly-owned subsidiary of MCML, which is in turn an indirect non-wholly owned subsidiary of CITIC Limited, the controlling shareholder of the Company. Since MHK is an indirect non-wholly owned subsidiary of CITIC Limited, it is a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the 2018 Tenancy Renewal Offer constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the annual caps of the 2018 Tenancy Renewal Offer exceeds 0.1% but is below 5%, the transactions contemplated thereunder are subject to the reporting, annual review and announcement requirements but exempt from the independent Shareholders' approval requirement pursuant to Chapter 14A of the Listing Rules.

INFORMATION RELATING TO THE PARTIES

DCHL, a direct wholly-owned subsidiary of the Company, is an investment holding company and is principally engaged in the import, retail and export of foodstuffs, electrical appliances and other consumer products. Honest Motors, Reliance Motors and Premium Motors, all being indirect wholly-owned subsidiaries of the Company, are principally engaged in the distribution of motor vehicles.

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.

MHK, an indirect non-wholly owned subsidiary of CITIC Limited, conducts the business of operating and managing McDonald's restaurants in Hong Kong. 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.

DEFINITIONS

In this announcement, unless otherwise defined or the context requires otherwise, the following expressions have the meanings set out below:

“2015 Sub-Tenancy Agreement”	the sub-tenancy agreement entered into between MHK as tenant and DCHL as sub-tenant on 7 September 2015 in respect of the lease of the Premises for the term from 8 May 2015 to 7 May 2018, which constituted a fully exempted continuing connected transaction of the Company upon Completion
“2018 Short-term Tenancy Renewal”	the extension of tenancy agreement entered into between MHK as tenant and DCHL as sub-tenant on 8 May 2018 in respect of the lease of the Premises for the term from 8 May 2018 to 7 June 2018, which constituted a fully exempted continuing connected transaction of the Company when aggregated with the 2015 Sub-Tenancy Agreement
“2018 Tenancy Renewal Offer”	the tenancy renewal offer letter issued by the Sub-tenants as co-subtenant on 13 June 2018 and accepted by signing by MHK as tenant on 13 June 2018
“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)
“Company”	Dah Chong Hong Holdings Limited (大昌行集團有限公司), a company incorporated in Hong Kong with limited liability with its shares listed on the Stock Exchange (Stock Code: 01828) and an indirect non-wholly owned subsidiary of CITIC Limited

“Completion”	the completion of the acquisition of a controlling interest in MCML by, among others, CITIC Limited on 31 July 2017, pursuant to which MCML and its subsidiary MHK became an indirect non-wholly owned subsidiaries of CITIC Limited
“DCHL”	Dah Chong Hong, Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Company
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s) ”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Honest Motors”	Honest Motors, Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Landlord”	Cho Wei Company Limited, the landlord of the Premises
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“MCML”	M China Management Limited, a company incorporated in Hong Kong with limited liability and an indirect non-wholly owned subsidiary of CITIC Limited
“MHK”	MHK Restaurants Limited, a company incorporated in Hong Kong with limited liability, a direct wholly-owned subsidiary of MCML and an indirect non-wholly owned subsidiary of CITIC Limited
“PRC”	the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“Premises”	Portion B of Shops Nos. 1-41 on the Ground Floor of the Podium of Admiralty Centre, 18 Harcourt Road, Hong Kong with a gross floor area of approximately 8,535 square feet under the 2018 Tenancy Renewal Offer and approximately 8,890 square feet under the Previous Tenancy Agreements
“Premium Motors”	Premium Motors Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company

“Previous Tenancy Agreements”	Collectively, the 2015 Sub-Tenancy Agreement and the 2018 Short-term Tenancy Renewal
“Reliance Motors”	Reliance Motors, Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sub-tenants”	Collectively, DCHL, Honest Motors, Reliance Motors and Premium Motors, all being co-subtenants under the 2018 Tenancy Renewal Offer
“%”	per cent

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

Hong Kong, 13 June 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 and Cheng Jinglei