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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
PROVISION OF INSTALLATION RELATED SERVICES

On 5 October 2018, the Company entered into the IRS Master Agreement with CPL, an intermediate controlling shareholder of the Company, in respect of the provision of the Installation Related Services by the Group to CPL Group as set out in this announcement on normal commercial terms in the ordinary course of business, subject to successful tender. The IRS Master Agreement sets out the relevant Proposed Caps for the period from the date of the IRS Master Agreement to 31 December 2018, and each of the two years ending 31 December 2019 and 2020.

Shareholders and potential investors should note that CPL Group may or may not award its future tender(s) to member(s) of the Group in relation to the Installation Related Services for CPL Group, or if any tender is awarded, the value of Installation Related Services provided by members of the Group may or may not be up to the level of the Proposed Caps. The Proposed Caps therefore have no direct relationship to, nor should be taken to have any direct bearing on, the Group's financial or potential financial performance.

CPL is an intermediate controlling shareholder of the Company and is therefore a connected person of the Company under Rule 14A.07 of the Listing Rules. Therefore, the provision of the Installation Related Services by the Group to CPL Group constitutes continuing connected transactions for the Company.

Since the applicable percentage ratios under the Listing Rules in respect of the highest cap of the provision of the Installation Related Services by the Group to CPL Group under the IRS Master Agreement is 0.1% or more but less than 5%, the IRS Master Agreement and the transactions contemplated thereunder are subject to the reporting, annual review and announcement requirements but are exempt from the circular, independent financial adviser and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

On 5 October 2018, the Company entered into the IRS Master Agreement with CPL in respect of the provision of the Installation Related Services by the Group to CPL Group as set out in this announcement on normal commercial terms in the ordinary course of business, subject to successful tender. The IRS Master Agreement sets out the relevant Proposed Caps for the period from the date of the IRS Master Agreement to 31 December 2018, and each of the two years ending 31 December 2019 and 2020.

CONTINUING CONNECTED TRANSACTIONS

Details and reasons for the Continuing Connected Transactions

The Group has been awarded by CPL Group to provide it with the Installation Related Services in Hong Kong and Mainland China by way of tenders from time to time. The Group expects that it will continue to participate in bidding the tenders of CPL Group for the Installation Related Services on normal commercial terms in the ordinary course of business.

On 5 October 2018, the Company and CPL entered into the IRS Master Agreement. The principal terms of the IRS Master Agreement are summarised as follows:

IRS Master Agreement

Date

5 October 2018

Parties

1. The Company
2. CPL

Duration

The IRS Master Agreement will commence on the date of the IRS Master Agreement and end on 31 December 2020.

Terms

Pursuant to the IRS Master Agreement, the Group may provide Installation Related Services to any member of the CPL Group in Hong Kong, Macao and Mainland China on such terms (including payment terms) as to be agreed between relevant members of CPL Group and the Group in the tender documents, subject to the normal tendering procedures and terms of CPL Group and the Group. The Group will go through a tendering process before being selected and appointed as the services provider of CPL Group.

The prices and terms (including the pricing basis) of the Group's tenders submitted to CPL Group are subject to the Group's standard and systematic tender submission procedures, which apply to tenders submitted to both connected persons and independent third parties, so as to ensure that the prices and terms of the proposed tenders submitted by the Group to CPL Group are no more favourable than those submitted to independent third parties.

Further details of the Group's standard and systematic tender submission procedures are set out in the paragraph headed "*Pricing Basis*" below.

Historical Transaction Amount

The Group did not recognise any amount of revenue from the provision of the Installation Related Services for the years ended 31 December 2015 and 2016 as the services have not yet been rendered. Revenue from the Installation Related Services rendered amounting to approximately HK\$0.4 million and HK\$5.7 million were recognised in 2017 and from January to September 2018 respectively.

Proposed Caps

The maximum aggregate values of the Installation Related Services for each year/period under the IRS Master Agreement from the date of the IRS Master Agreement to 31 December 2018, and for each of the two years ending 31 December 2020 are as follows:

	For the period from the date of the IRS Master Agreement to 31 December 2018	For the year ending 31 December 2019	For the year ending 31 December 2020
Proposed Caps	HK\$8.0 million	HK\$33.0 million	HK\$70.0 million

Basis of Determination of Proposed Caps

The Proposed Caps for the periods from the date of the IRS Master Agreement to 31 December 2018 and for each of the years ending 31 December 2019 and 2020 are calculated with reference to: (i) the tenders awarded by CPL Group to the Group in 2016 and 2017; (ii) the tenders submitted by the Group to CPL Group which, if awarded, the estimated time for the recognition of such tenders; and (iii) the Group's anticipation that it will continue to increase the frequency and value of tender submission to provide Installation Related Services to members of CPL Group, particularly in their real estate development projects and construction projects, on normal commercial terms in the ordinary course of business of the Group.

The Group anticipates to increase its frequency and value in bidding the tenders of CPL Group in relation to the Installation Related Services going forward due to the potential increase in real estate development projects and construction projects of CPL Group in Hong Kong, Macao and Mainland China and the estimated volume and value of the Installation Related Services in relation to such projects.

Shareholders and potential investors should note that CPL Group may or may not award its future tender(s) to member(s) of the Group in relation to the Installation Related Services for CPL Group, or if any tender is awarded, the value of Installation Related Services provided by members of the Group may or may not be up to the level of the Proposed Caps. The Proposed Caps therefore have no direct relationship to, nor should be taken to have any direct bearing on, the Group's financial or potential financial performance.

Pricing Basis

The price and terms (including the pricing basis) of the Group's tenders submitted to CPL Group are subject to the standard and systematic tender submission procedures maintained by the Group, which apply to tenders submitted to both connected persons and independent third parties.

The procedures include: (i) receiving invitation to tender; (ii) initial assessment of tender documents; (iii) preparation of tender proposal, cost estimation and pricing; (iv) internal evaluation and approval of tender proposal, cost estimation and pricing; (v) tender submission; (vi) tender award; and (vii) acceptance. The internal evaluation and approval of tender will be conducted by the head of the relevant business department.

In consideration of pricing, the Group takes into account several factors including the estimated expenses, scope and quality of services and products required, classifications, types and locations of the projects, pricing for comparable tenders and the prevailing market rate.

Having taken into consideration of the above, the directors (including the independent non-executive directors) of the Company are of the view that the pricing basis for the Installation Related Services to be provided by the Group to CPL Group are on normal commercial terms, fair and reasonable, in the ordinary and usual course of the Group's business and not more favourable than the terms offered by the Group to other independent third parties.

None of the directors of the Company has a material interest in the IRS Master Agreement and the transactions contemplated thereunder or is required to abstain from voting on the Board resolutions to approve the IRS Master Agreement and the transactions contemplated thereunder. The directors (including the independent non-executive directors) of the Company consider that the terms of the IRS Master Agreement and the transactions contemplated thereunder are fair and reasonable, are on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

CPL is an intermediate controlling shareholder of the Company and is therefore a connected person of the Company under Rule 14A.07 of the Listing Rules. Therefore, the provision of the Installation Related Services by the Group to CPL Group constitutes continuing connected transactions for the Company.

Since the applicable percentage ratios under the Listing Rules in respect of the highest cap of the Installation Related Services to be provided by the Group to CPL Group under the IRS Master Agreement is 0.1% or more but less than 5%, the IRS Master Agreement and the transactions contemplated thereunder are subject to the reporting, annual review and announcement requirements but are exempt from the circular, independent financial adviser and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INFORMATION RELATING TO THE PARTIES

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.

CPL is a company incorporated in the British Virgin Islands. CPL's key businesses include special steel manufacturing, energy and real estate development. It is also the majority shareholder of two companies listed on the Main Board of the Stock Exchange, namely, the Company and CITIC Telecom International Holdings Limited (Stock Code: 01883).

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of directors of the Company
“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)
“CPL”	CITIC Pacific Limited (中信泰富有限公司), a company incorporated in the British Virgin Islands, an intermediate controlling shareholder of the Company and a direct wholly-owned subsidiary of CITIC Limited, the shares of which are listed on the Stock Exchange (Stock Code: 00267)
“CPL Group”	CPL, together with its subsidiaries and associates from time to time, and exclude the Group for the purpose of this announcement
“Group”	the Company and its subsidiaries from time to time
“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
“Installation Related Services”	services including the supply and/or installation of electrical home appliances for property development projects
“IRS Master Agreement”	an agreement dated 5 October 2018 between the Company and CPL in relation to the provision of the Installation Related Services by the Group to CPL Group

“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Macao”	the Macao Special Administrative Region of the People’s Republic of China
“Mainland China”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, Macao and Taiwan
“Proposed Cap(s)”	the maximum aggregate amount of the revenue recognised by the Group for each year / period under the IRS Master Agreement in relation to Installation Related Services
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

For and on behalf of
Dah Chong Hong Holdings Limited
Lai Ni Hium
Executive Director and Chief Executive Officer

Hong Kong, 5 October 2018

As at the date of this announcement, the directors of the Company 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