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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**  
**MASTER AGREEMENT IN RELATION TO**  
**VIRTUAL PRIVATE NETWORK SERVICES**  
**AND**  
**INTERNET ACCESS SERVICES**

On 21 December 2018, the Company entered into the Master Agreement with CITIC Telecom, pursuant to which the Company engages CITIC Telecom Group to provide the Virtual Private Network Services and the Internet Access Services to the Group on normal commercial terms in the ordinary course of business as detailed in this announcement. The Master Agreement sets out, *inter alia*, the respective Caps for the Virtual Private Network Services and the Internet Access Services during the Relevant Period.

CITIC Telecom is a subsidiary of CITIC Limited (a controlling shareholder of the Company) and is therefore a connected person of the Company under Rule 14A.07 of the Listing Rules. As a result, the transactions contemplated under the Master Agreement between CITIC Telecom Group and the Group constitute continuing connected transactions for the Company.

Since the applicable percentage ratios under the Listing Rules in respect of the highest cap of (a) the Virtual Private Network Services and (b) the Internet Access Services to be provided by CITIC Telecom Group respectively are 0.1% or more but less than 5%, the 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 advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **INTRODUCTION**

The Group has been engaging CITIC Telecom Group to provide various virtual private network services and Internet access services from time to time in its ordinary and usual course of business.

In view of an increasing demand for virtual private network services and Internet access services in the course of furthering the Group's commercial objectives, on 21 December 2018, the Company entered into the Master Agreement with CITIC Telecom, setting forth the basis upon which the Group would continue to engage CITIC Telecom Group to provide the Virtual Private Network Services and the Internet Access Services on normal commercial terms in the ordinary course of business of the Group as detailed in this announcement. The Master Agreement sets out, *inter alia*, the respective Caps during the Relevant Period.

Separate service order forms in respect of the Virtual Private Network Services and the Internet Access Services will be entered into between respective members of the Group and members of CITIC Telecom Group. Such service order forms will follow the guidelines and terms and conditions set out in the Master Agreement in all material aspects.

## **CONTINUING CONNECTED TRANSACTIONS**

The principal terms of the Master Agreement are summarised as follows:

### ***Date***

21 December 2018

### ***Parties***

1. The Company
2. CITIC Telecom

### ***Term***

The Master Agreement will take effect from 1 January 2019 and end on 31 December 2021.

### **(a) The Virtual Private Network Services**

#### ***Background***

CITIC Telecom Group has established numerous Point(s)-of-Presence around the world to provide data and telecommunications services including virtual private network and value-added services to multinational corporations.

CITIC Telecom Group provides virtual private network services by applying the multi-protocol label switching (MPLS) network. The virtual private network is a private network to connect geographically separated offices of an organisation with different classes-of-service, creating one cohesive network. Individual users can enjoy remote office and get secure access to, send and receive data within their organisation's virtual private network across a public telecommunications infrastructure. The virtual private network services provide a highly secure and efficient network for transmission of voice, video and data applications with guaranteed quality-of-service.

CITIC Telecom Group has been providing virtual private network services to the Group to fulfil its business needs in Hong Kong, Macau, Mainland China, Southeast Asia and other regions.

### ***Major Terms***

Pursuant to the Master Agreement, the Company and CITIC Telecom agree with each other that in the event that the respective members of the Group engage members of CITIC Telecom Group to provide the Virtual Private Network Services during the Relevant Period, it will be in the ordinary and usual course and normal commercial terms of their respective businesses within the limit of the Virtual Private Network Services Caps for the Relevant Period.

Pursuant to the Master Agreement, the Virtual Private Network Services shall generally be provided on the basis of CITIC Telecom Group's standard service order form, which has incorporated the general terms and conditions of service of the relevant members of CITIC Telecom Group. Subject to the guidelines and terms and conditions set out in the Master Agreement, the terms and conditions of such standard service order form may be modified to cater for specific requirements of some customers, when necessary. Key service terms such as the minimum commitment period, bandwidth and location of services will be set out in such individual service order form.

The service charges for the provision of the Virtual Private Network Services usually include a one-off set up charge and a fixed recurring monthly service charge during the service term, which is determined with reference to the subscribed bandwidth, locations, class of services and the requisite support services for provision of the Virtual Private Network Services. The service charges will be set out in the individual service order form and are agreed on an arm's length basis.

The one-off set up charge is normally payable in full upon provision of service while the monthly service charge is settled monthly.

### ***Historical Transaction Amount***

The actual amount of consideration received or receivable by CITIC Telecom Group for the provision of virtual private network services to the Group was approximately HK\$1.8 million, HK\$2.2 million, HK\$2.4 million and HK\$2.1 million for the years ended 31 December 2015, 2016 and 2017 and the eleven months ended 30 November 2018 respectively.

### ***Proposed Virtual Private Network Services Caps***

The proposed Virtual Private Network Services Caps for the Relevant Period are as follows:

	For the year ending 31 December 2019	For the year ending 31 December 2020	For the year ending 31 December 2021
Caps	HK\$5.4 million	HK\$5.6 million	HK\$5.7 million

### ***Basis of Determination of Virtual Private Network Services Caps***

The above proposed Virtual Private Network Services Caps are calculated with reference to: (i) the historical service fees paid by the Group to CITIC Telecom Group for virtual private network services; (ii) the prevailing market price of the provision of similar virtual private network services; and (iii) the Group's anticipation that the scope of the Virtual Private Network Services to be provided by CITIC Telecom Group to the Group will expand and therefore the relevant service fees will increase on normal commercial terms in the ordinary course of business of the Group.

The Group anticipates that its operation will call for a wider scope of the Virtual Private Network Services to be provided by CITIC Telecom Group going forward due to the strategic direction of enhancing the Group's information technology infrastructure in terms of both capacity and flexibility.

### ***Pricing Basis***

The service fees charged by CITIC Telecom Group for the provision of the Virtual Private Network Services shall be negotiated on arm's length basis and shall be comparable to those charged by independent third parties and on such payment terms as may be agreed between relevant members of the Group and CITIC Telecom Group.

## **(b) The Internet Access Services**

### ***Background***

CITIC Telecom Group provides enterprises and corporations with high-availability, high-speed Metro Ethernet/broadband local loop circuits, and related network services, which enable access to the Internet among customers' designated locations, servers in the data centres, and cloud computing platforms.

CITIC Telecom Group has been providing Internet access services to the Group's businesses in Hong Kong, Macau, Mainland China, Southeast Asia and other regions.

### ***Major Terms***

Pursuant to the Master Agreement, the Company and CITIC Telecom agree with each other that in the event that the respective members of the Group engage members of CITIC Telecom Group to provide the Internet Access Services during the Relevant Period, it will be in the ordinary and usual course and normal commercial terms of their respective businesses within the limit of the Internet Access Services Caps for the Relevant Period.

Pursuant to the Master Agreement, the Internet Access Services shall generally be provided on the basis of CITIC Telecom Group's standard service order form, which has incorporated the general terms and conditions of service of the relevant members of CITIC Telecom Group. Subject to the guidelines and terms and conditions set out in the Master Agreement, the terms and conditions of such standard service order form may be modified to cater for specific requirements of some customers, when necessary. Key service terms such as the minimum commitment period, bandwidth and location of services will be set out in such individual service order form.

The service charges for the provision of the Internet Access Services usually include a one-off set up charge and a fixed recurring monthly service charge during the service term, which is determined with reference to the subscribed bandwidth, locations, interface of connection and the requisite application services for provision of the Internet Access Services. The service charges will be set out in the individual service order form and are agreed on an arm's length basis.

The one-off set up charge is normally payable in full upon provision of service while the monthly service charge is settled monthly.

***Historical Transaction Amount***

The actual amount of consideration received or receivable by CITIC Telecom Group for the provision of Internet access services to the Group was approximately HK\$0.7 million, HK\$0.9 million, HK\$1.6 million and HK\$3.7 million for the years ended 31 December 2015, 2016 and 2017 and the eleven months ended 30 November 2018 respectively.

***Proposed Internet Access Services Caps***

The proposed Internet Access Services Caps for the Relevant Period are as follows:

	For the year ending 31 December 2019	For the year ending 31 December 2020	For the year ending 31 December 2021
Caps	HK\$5.3 million	HK\$5.8 million	HK\$6.0 million

***Basis of Determination of Internet Access Services Caps***

The above proposed Internet Access Services Caps are calculated with reference to: (i) the historical service fees paid by the Group to CITIC Telecom Group for Internet access services; (ii) the prevailing market price of the provision of similar Internet access services; and (iii) the Group's anticipation that the scope of the Internet Access Services to be provided by CITIC Telecom Group to the Group will expand and therefore the relevant service fees will increase on normal commercial terms in the ordinary course of business of the Group.

The Group anticipates that its operation will call for a wider scope of the Internet Access Services to be provided by CITIC Telecom Group going forward due to the strategic direction of enhancing the Group's information technology infrastructure in terms of both capacity and flexibility.

***Pricing Basis***

The service fees charged by CITIC Telecom Group for the provision of the Internet Access Services shall be negotiated on arm's length basis and comparable to those charged by independent third parties and on such payment terms as may be agreed between relevant members of the Group and CITIC Telecom Group.

## **REASONS FOR AND BENEFITS OF THE MASTER AGREEMENT**

In line with the Group's strategic direction and long-term positioning strategy, the Group has designed and implemented an extensive information technology infrastructure with increased capacity and flexibility. The high quality and variety of virtual private network services and Internet access services provided by CITIC Telecom Group is expected to improve productivity, efficiency and performance of the Group's networks across different regions in Hong Kong, Macau, Mainland China, Southeast Asia and other regions.

Having taken into consideration of the above, the Directors (including the independent non-executive Directors) are of the view that the pricing basis for service fees to be charged by CITIC Telecom Group for the provision of the (a) the Virtual Private Network Services and (b) the Internet Access Services and the payment terms are on normal commercial terms, fair and reasonable, in the ordinary and usual course of the Group's business and not less favourable than the terms offered by other independent third parties.

Mr. Kwok Man Leung, a non-executive Director, holds 150,000 shares in CITIC Telecom. Mr. Fei Yiping, a non-executive Director, is a non-executive director of CITIC Telecom and holds 1,000,000 share options in CITIC Telecom. The Board considered the respective shareholdings were minimal and did not consider Messrs. Kwok Man Leung and Fei Yiping were materially interested in the Master Agreement and the transactions contemplated thereunder. Despite the foregoing, in order to avoid the perception of a conflict of interest, both of them have abstained from voting on the Board resolutions of the Company for considering and approving the entering into the Master Agreement and the transactions contemplated thereunder and the proposed Caps.

Save as disclosed above, none of the Directors has a material interest in the Master Agreement and the transactions contemplated thereunder or is required to abstain from voting on the Board resolution(s) approving the Master Agreement and the transactions contemplated thereunder and the proposed Caps.

The Directors (including the independent non-executive Directors) consider that the terms of the 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**

CITIC Telecom is a subsidiary of CITIC Limited, which is a 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 Virtual Private Network Services and the Internet Access Services by CITIC Telecom Group constitutes continuing connected transactions for the Company.

Since the applicable percentage ratios under the Listing Rules in respect of the highest cap of (a) the Virtual Private Network Services and (b) the Internet Access Services to be provided by CITIC Telecom Group to the Group respectively are 0.1% or more but less than 5%, the 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 advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **INFORMATION RELATING TO THE PARTIES**

### **The Group**

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 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.

### **CITIC Telecom Group**

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 CITIC Telecom International CPC Limited ("CPC"), a wholly-owned subsidiary of CITIC Telecom, CITIC Telecom Group 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, 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.

## **DEFINITIONS**

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

"Board"	the board of directors of the Company
"Cap(s)"	any of the Virtual Private Network Services Caps and the Internet Access Services Caps or all of them collectively, as proposed under the Master Agreement
"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 Main Board of the Stock Exchange (Stock Code: 01883) and a subsidiary of CITIC Limited (中國中信股份有限公司), a controlling shareholder of the Company, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 00267)

“CITIC Telecom Group”	CITIC Telecom together with its subsidiaries from time to time
“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 Main Board of the Stock Exchange (Stock Code: 01828)
“connected person(s)”, “continuing connected transaction(s)”, “controlling shareholder(s)” and “subsidiary(ies)”	each has the meaning ascribed to it by the Listing Rules
“Director” or “Directors”	the director(s) of the Company
“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
“Internet Access Services”	Internet access services to be provided by CITIC Telecom Group to the Group in accordance with the Master Agreement
“Internet Access Services Caps”	the maximum aggregate value of consideration payable by the Group to CITIC Telecom Group for each year under the Master Agreement in relation to the Internet Access Services to be provided by CITIC Telecom Group to the Group
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	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, Macau and Taiwan
“Master Agreement”	the master agreement dated 21 December 2018 entered into between the Company and CITIC Telecom in relation to the Virtual Private Network Services and the Internet Access Services to be provided by CITIC Telecom Group to the Group
“Relevant Period”	the period from 1 January 2019 to 31 December 2021



“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Virtual Private Network Services”	virtual private network services to be provided by CITIC Telecom Group to the Group in accordance with the Master Agreement
“Virtual Private Network Services Caps”	the maximum aggregate value of consideration payable by the Group to CITIC Telecom Group for each year under the Master Agreement in relation to the Virtual Private Network Services to be provided by CITIC Telecom Group to the Group
“%”	per cent

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

Hong Kong, 21 December 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), 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*