

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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
SALES AND DISTRIBUTION AGREEMENT
IN RELATION TO HEALTHCARE PRODUCTS

On 3 April 2019, DCH Auriga, an indirect wholly-owned subsidiary of the Company, entered into the Sales and Distribution Agreement with Nature's Care, pursuant to which Nature's Care appointed DCH Auriga to act as the sole and exclusive distributor for the Sale and Distribution of the Products in the Territories via the Channels on normal commercial terms in the ordinary course of business as detailed in this announcement. The Sales and Distribution Agreement is subject to, *inter alia*, the Caps for the Sale and Distribution of the Products during the Relevant Period as set out in this announcement.

Nature's Care is a 30%-controlled company indirectly held by CPL, an intermediate controlling shareholder of the Company. As such, Nature's Care is a connected person of the Company under Rule 14A.07 of the Listing Rules and the transactions contemplated under the Sales and Distribution Agreement between Nature's Care and DCH Auriga constitute continuing connected transactions for the Company.

As one or more of the relevant percentage ratios under the Listing Rules in respect of the highest Cap of the Sale and Distribution of the Products are 0.1% or more but less than 5%, the Sales and Distribution 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

On 3 April 2019, DCH Auriga entered into the Sales and Distribution Agreement with Nature's Care in respect of the Sale and Distribution of the Products by DCH Auriga on normal commercial terms in the ordinary course of business of DCH Auriga as detailed in this announcement. The Sales and Distribution Agreement is subject to, *inter alia*, the Caps for the Sale and Distribution of the Products during the Relevant Period as set out in this announcement.

CONTINUING CONNECTED TRANSACTIONS

The principal terms of the Sales and Distribution Agreement are summarised as follows:

Date

3 April 2019

Parties

1. DCH Auriga (Hong Kong) Limited
2. Nature's Care Manufacture Pty. Limited

Duration

The Sales and Distribution Agreement shall take effect from 1 January 2019 and last for the Initial Term. The Sales and Distribution Agreement may be extended for the Renewal Term in accordance with the terms of the Sales and Distribution Agreement and subject to the conditions stipulated therein, including but not limited to compliance with certain obligations by DCH Auriga.

Major Terms

Pursuant to the Sales and Distribution Agreement, it is agreed that Nature's Care appointed DCH Auriga as the sole and exclusive distributor for the Sale and Distribution of the Products in the Territories via the Channels within the limit of the Caps for the Relevant Period on normal commercial terms in the ordinary course of business. DCH Auriga would pay Nature's Care for the Products at prices calculated based on each Product's relevant fixed unit price (which may be subject to change from time to time, having taken into account of factors including, but not limited to, market conditions, previous pricing strategy and competitor pricing policy) as set out in the Sales and Distribution Agreement; and Nature's Care would reimburse DCH Auriga for marketing expenses and other ancillary expenses incurred by DCH Auriga as set out in and in accordance with the Sales and Distribution Agreement.

Historical Transaction Amount

The actual amount of purchases of the Products by DCH Auriga from Nature's Care was approximately HK\$1.7 million for the year ended 31 December 2018, being the first year in which such transactions commenced.

Proposed Caps

The proposed Caps for the Relevant Period are as follows:

	For the year ending 31 December 2019	For the year ending 31 December 2020
Caps	HK\$50.0 million	HK\$55.0 million

Basis of Determination of Caps

The above proposed Caps are calculated with reference to: (i) the prevailing market wholesale price of similar products; and (ii) DCH Auriga's anticipation that the scope of the Products to be ordered from Nature's Care will expand and therefore the relevant consideration will increase on normal commercial terms in the ordinary course of business of DCH Auriga due to market growth.

Shareholders and potential investors should note that DCH Auriga may or may not order the Products from Nature's Care; and even where DCH Auriga does order the Products from Nature's Care, the actual purchase amount of the Products from Nature's Care may or may not reach the levels of the relevant Caps. The Caps have no direct relationship, nor should be taken to have any direct bearing on, the Group's current or potential financial performance.

Pricing Basis

The consideration payable to Nature's Care for the Products has been negotiated on arm's length basis. The relevant unit price for each Product is fixed and set out in the Sales and Distribution Agreement. Such unit price is determined based on market wholesale price of similar products distributed via various channels and is comparable to the price payable to Nature's Care by independent third parties. The payment will be made in accordance with the payment terms set out in the Sales and Distribution Agreement.

Further Agreement

The Sales and Distribution Agreement further provides that DCH Auriga or any of its Affiliates may enter into new agreement(s) with Nature's Care on similar terms to the Sales and Distribution Agreement whereby Nature's Care shall appoint DCH Auriga or any of its Affiliates to act as distributor for the sale and distribution of certain healthcare products in territories as the parties to the new agreement(s) may designate from time to time.

For Listing Rules compliance purpose, the value of consideration paid or payable under such further agreement(s) will be aggregated to the value of consideration paid or payable under the Sales and Distribution Agreement, as subject to the proposed Caps.

REASONS FOR AND BENEFITS OF THE SALES AND DISTRIBUTION AGREEMENT

In line with DCH Auriga's strategic direction and long-term positioning strategy, DCH Auriga will capitalize the brand strength of Nature's Care to expand its product portfolio, increase its market presence in health supplements and therefore strengthen its competitiveness. DCH Auriga is also expected to leverage its established distribution channels to enable Nature's Care to get quick access to the pan-Asia platform and speed up its business development in South East Asia.

Having taken into consideration of the above, the Directors (including the independent non-executive Directors) are of the view that the pricing basis to be charged by Nature's Care for the Products and the payment terms are fair and reasonable, on normal commercial terms (being comparable to the terms payable by other independent third parties) and in the ordinary and usual course of DCH Auriga's business.

Mr. Zhang Jijing, a non-executive Chairman of the Company, is the chairman of CPL. Mr. Yin Ke, a non-executive Director, is a vice-chairman and a director of CPL. Mr. Kwok Man Leung, a non-executive Director, is executive vice president and a director of CPL. Mr. Fei Yiping, a non-executive Director, is chief financial officer and a director of CPL. In order to avoid the perception of a conflict of interest, Messrs. Zhang Jijing, Yin Ke, Kwok Man Leung and Fei Yiping have abstained from voting on the board resolutions of the Company for considering and approving the entering into the Sales and Distribution Agreement, the transactions contemplated thereunder and the proposed Caps.

Saved as disclosed above, none of the Directors of the Company has a material interest in the Sales and Distribution Agreement and the transactions contemplated thereunder or are required to abstain from voting on the board resolution(s) approving the entering into of the Sales and Distribution Agreement, the transactions contemplated thereunder and the proposed Caps.

The Directors (including the independent non-executive Directors) consider that the terms of the Sales and Distribution Agreement and the transactions contemplated thereunder are fair and reasonable, are on normal commercial terms, 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

Nature's Care is a 30%-controlled company indirectly held by CPL, an intermediate controlling shareholder of the Company. Therefore, Nature's Care is a connected person of the Company under Rule 14A.07 of the Listing Rules and the transactions contemplated under the Sales and Distribution Agreement between Nature's Care and DCH Auriga constitute continuing connected transactions for the Company.

As one or more of the relevant ratios under the Listing Rules in respect of the highest Cap of the Sale and Distribution of the Products are 0.1% or more but less than 5%, the Sales and Distribution 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

DCH Auriga is a distributor of healthcare products including pharmaceuticals, medical devices and health supplements.

Nature's Care is one of Australia's leading pharmacy supplement brands and also manufactures skin care products.

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.

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:

“Affiliate” in relation to an entity, means any subsidiary or holding company of such entity, any subsidiary of any such holding company and any company in which such entity or any such holding company holds or controls directly or indirectly 20% of the total issued share capital

“Cap(s)”	the maximum aggregate value of consideration paid or payable by DCH Auriga to Nature’s Care for the purchase of Products for each year under the Sales and Distribution Agreement
“Channels”	(i) General channels including general trade, pharmacy, hospital, medical clinic channels and various retail chains; and (ii) E-commerce channels comprising HKTVmall, DCH e-commerce shop and Fingershopping
“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)”, “30%-controlled company”, “controlling shareholder(s)” and “subsidiary(ies)”	each has the meaning ascribed to it by the Listing Rules
“CPL”	CITIC Pacific Limited (中信泰富有限公司), a company incorporated in the British Virgin Islands, and 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)
“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
“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
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Initial Term”	the period of 12 months commencing from 1 January 2019
“Macao”	the Macao Special Administrative Region of the People’s Republic of China

“Nature’s Care”	Nature’s Care Manufacture Pty. Limited, a company incorporated in Australia limited by shares
“Products”	healthcare products to be sold and distributed by DCH Auriga under the Sales and Distribution Agreement as defined therein
“Relevant Period”	the period from 1 January 2019 to the end of (i) the Initial Term (if the duration of the Sales and Distribution Agreement is not extended thereunder) or (ii) the Renewal Term (if the duration of the Sales and Distribution Agreement is extended thereunder)
“Renewal Term”	the further period of 12 months subsequent to the expiry of the Initial Term
“Sale and Distribution”	sale and distribution of the Products by DCH Auriga in accordance with the terms of the Sales and Distribution Agreement in the Territories via the Channels
“Sales and Distribution Agreement”	a sales and distribution agreement dated 3 April 2019 entered into between DCH Auriga and Nature’s Care in relation to the Sale and Distribution of the Products
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Territories”	Hong Kong, Macao, Brunei
“%”	per cent

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

Hong Kong, 3 April 2019

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