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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 AIR-CONDITIONING SOLUTIONS
AND
REPAIR AND MAINTENANCE SERVICES

On 31 May 2019, DCHE, an indirect wholly-owned subsidiary of the Company, entered into the Master Agreement with CPL, pursuant to which CPL Group engages any DCH Service Provider to provide the Air-conditioning Solutions and Repair and Maintenance Services 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 Air-conditioning Solutions and the Repair and Maintenance Services during the Relevant Period.

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. As a result, the provision of the Air-conditioning Solutions and Repair and Maintenance Services to CPL Group and by any DCH Service Provider (which includes the Company and its subsidiaries) constitute continuing connected transactions for the Company.

Since the applicable percentage ratios under the Listing Rules in respect of the highest Caps for (a) the Air-conditioning Solutions and (b) the Repair and Maintenance Services to be provided by any DCH Service Provider to CPL Group are both 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

DCHE has been providing CPL Group with air-conditioning solutions and repair and maintenance services from time to time in its ordinary and usual course of business for over 5 years.

In view of CPL Group's increasing demand for air-conditioning solutions and repair and maintenance services from DCHE, on 31 May 2019, DCHE entered into the Master Agreement with CPL, setting forth the basis upon which CPL Group would continue to engage DCHE and any DCH Service Provider to provide the Air-conditioning Solutions and the Repair and Maintenance Services 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 during the Relevant Period.

Responses to tenders or quotations in respect of the Air-conditioning Solutions and Repair and Maintenance Services will be requested by the relevant member(s) of CPL Group and provided by the relevant DCH Service Provider. Such responses to tender(s) and quotation(s) 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

31 May 2019

Parties

1. DCHE
2. CPL

Term

The Master Agreement will take effect from the date of the Master Agreement and end on 31 December 2021.

(A) Air-conditioning Solutions

Background

DCHE engages in, among other things, providing air-conditioning solutions, which includes the provision of MVAC systems and all enabling work such as the design, fabrication and installation of the MVAC systems and its surrounding components. DCHE has been providing such services to CPL Group to fulfil its business needs in Hong Kong.

Major Terms

Pursuant to the Master Agreement, CPL and DCHE agree with each other that in the event that the relevant member(s) of CPL Group engages the relevant DCH Service Provider(s) to provide Air-conditioning Solutions during the Relevant Period, it will be in the ordinary and usual course and on normal commercial terms of their respective businesses within the limit of the Air-conditioning Solutions Caps for the Relevant Period.

According to the Master Agreement, the Air-conditioning Solutions shall generally be provided on the basis of the relevant DCH Service Provider's response to tender(s) or quotation(s) (depending on the method in which the relevant member(s) of CPL Group requests Air-conditioning Solutions from the relevant DCH Service Provider), which would incorporate the general terms and conditions of service of the relevant DCH Service Provider. Subject to the guidelines and terms and conditions set out in the Master Agreement, the terms and conditions of such response to tender(s) or quotation(s) may be modified to cater for specific requirements of the relevant member(s) of the CPL Group, when necessary.

Historical Transaction Amount

Revenue recognized by DCH Group in accordance with generally accepted accounting standards for the provision of air-conditioning solutions to CPL Group amounted to approximately HK\$0.1 million, HK\$0.2 million, HK\$5.0 million and HK\$0.8 million for the years ended 31 December 2016, 2017 and 2018 and for the period from 1 January 2019 to 30 April 2019 respectively.

Air-conditioning Solutions Caps

The Air-conditioning Solutions Caps for the Relevant Period are as follows:

	For the period commencing on the date of the Master Agreement and ending 31 December 2019	For the year ending 31 December 2020	For the year ending 31 December 2021
Air-conditioning Solutions Caps	HK\$45.0 million	HK\$50.0 million	HK\$55.0 million

Basis of Determination of the Air-conditioning Solutions Caps

The above Caps are calculated with reference to: (i) the historical service fees paid by CPL Group to DCH Service Providers for air-conditioning solutions; (ii) the prevailing market price of the provision of similar air-conditioning solutions; and (iii) DCH Group's anticipation that the scope of the Air-conditioning Solutions to be provided by any DCH Service Provider to CPL Group will expand given the increasing demand of CPL Group for such services and therefore the relevant service fees will increase on normal commercial terms in the ordinary course of business.

Shareholders and potential investors should note that CPL Group may or may not engage any DCH Service Provider for the provision of Air-conditioning Solutions; and even where CPL Group does engage any DCH Service Provider for the provision of Air-conditioning Solutions, the actual revenue generated from the provision of such services may or may not reach to levels of the relevant Air-conditioning Solutions Caps. The Air-conditioning Solutions Caps have no direct relationship, nor should be taken to have any direct bearing on, DCH Group's current or potential financial performance.

Pricing Basis

The service fees charged by the relevant DCH Service Provider for the provision of the Air-conditioning Solutions shall be negotiated on arm's length basis and shall be comparable to the service fees payable by independent third parties for similar air-conditioning solutions and on such payment terms as may be agreed between the relevant member(s) of CPL Group and the relevant DCH Service Provider(s).

(B) Repair and Maintenance Services

Background

DCHE engages in, among other things, providing repair and maintenance services, which includes the provision of after-sales services such as (i) regular repair and maintenance services in relation to air-conditioning systems; and (ii) other services such as modification and improvement works in relation to interior workspaces. DCHE has been providing such services to CPL Group to fulfil its business needs in Hong Kong.

Major Terms

Pursuant to the Master Agreement, CPL and DCHE agree with each other that in the event that the relevant member(s) of CPL Group engages the relevant DCH Service Provider(s) to provide the Repair and Maintenance Services during the Relevant Period, it will be in the ordinary and usual course and on normal commercial terms of their respective businesses within the limit of the Repair and Maintenance Services Caps for the Relevant Period.

According to the Master Agreement, the Repair and Maintenance Services shall generally be provided on the basis of the relevant DCH Service Provider's response to tender(s) or quotation(s) (depending on the method in which the relevant member(s) of CPL Group requests Repair and Maintenance Services from the relevant DCH Service Provider), which would incorporate the general terms and conditions of service of the relevant DCH Service Provider. Subject to the guidelines and terms and conditions set out in the Master Agreement, the terms and conditions of such response to tender(s) or quotation(s) may be modified to cater for specific requirements of the relevant member(s) of CPL Group, when necessary.

Historical Transaction Amount

Revenue recognized by DCH Group in accordance with generally accepted accounting standards for the provision of repair and maintenance services to CPL Group amounted to approximately HK\$0.8 million, HK\$0.8 million, HK\$2.3 million and HK\$0.5 million for the years ended 31 December 2016, 2017 and 2018 and for the period from 1 January 2019 to 30 April 2019 respectively.

Repair and Maintenance Services Caps

The Repair and Maintenance Services Caps for the Relevant Period are as follows:

	For the period commencing on the date of the Master Agreement and ending 31 December 2019	For the year ending 31 December 2020	For the year ending 31 December 2021
Repair and Maintenance Services Caps	HK\$5.0 million	HK\$5.5 million	HK\$6.0 million

Basis of Determination of the Repair and Maintenance Services Caps

The above Caps are calculated with reference to: (i) the historical service fees paid by CPL Group to DCH Service Providers for repair and maintenance services; (ii) the prevailing market price of the provision of similar repair and maintenance services; and (iii) DCH Group's anticipation that the scope of the Repair and Maintenance Services to be provided by any DCH Service Provider to CPL Group will expand given the increasing demand of CPL Group for such services and therefore the relevant service fees will increase on normal commercial terms in the ordinary course of business.

Shareholders and potential investors should note that CPL Group may or may not engage any DCH Service Provider for the provision of Repair and Maintenance Services; and even where CPL Group does engage any DCH Service Provider for the provision of Repair and Maintenance Services, the actual revenue generated from the provision of such services may or may not reach to levels of the relevant Repair and Maintenance Services Caps. The Repair and Maintenance Services Caps have no direct relationship, nor should be taken to have any direct bearing on, DCH Group's current or potential financial performance.

Pricing Basis

The service fees charged by the relevant DCH Service Provider for the provision of the Repair and Maintenance Services shall be negotiated on arm's length basis and shall be comparable to the service fees payable by independent third parties for similar repair and maintenance services and on such payment terms as may be agreed between the relevant member(s) of CPL Group and the relevant DCH Service Provider.

REASONS FOR AND BENEFITS OF THE MASTER AGREEMENT

In line with the DCH Group's strategic direction and long-term positioning strategy, the DCH Service Providers are expected to provide a wider scope of air-conditioning solutions and repair and maintenance services to various customers, including CPL Group.

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 payable to any DCH Service Provider by CPL Group for the provision of Air-conditioning Solutions and Repair and Maintenance Services and the payment terms are on normal commercial terms, fair and reasonable, in the ordinary and usual course of the relevant DCH Service Provider's business and comparable to the terms offered to other independent third parties.

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 Master Agreement, the transactions contemplated thereunder and the Caps.

Saved as disclosed, none of the Directors has a material interest in the Master Agreement and the transactions contemplated thereunder or are required to abstain from voting on the Board resolutions to approve the Master Agreement, the transactions contemplated thereunder and the 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, in the ordinary and usual course of business of DCH 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. As a result, the provision of Air-conditioning Solutions and Repair and Maintenance Services by any DCH Service Provider (which includes the Company and its subsidiaries) 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 for (a) the Air-conditioning Solutions and (b) the Repair and Maintenance Services to be provided by any DCH Service Provider to CPL Group are both 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

DCHE is an engineering company providing air-conditioning solutions (which includes the provision of MVAC systems and all enabling work such as the design, fabrication and installation of the MVAC system and its surrounding components) and repair and maintenance services (which includes after-sales services such as regular repair and maintenance services in relation to air-conditioning systems and other services such as modification and improvement works in relation to interior workspaces) to customers in both public and private sectors. It is an indirect wholly-owned subsidiary of the Company.

DCH Group is an integrated motor and consumer products distribution company operating in Asia with an extensive logistics network. DCH 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. DCH 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(s)” in relation to DCHE, means any subsidiary or holding company of DCHE, and any subsidiary of any such holding company, provided that such entities are also subsidiaries of the Company; and “**Affiliates**” shall be construed accordingly;

“Air-conditioning Solutions”	the air-conditioning solutions to be provided by any DCH Service Provider to CPL Group in accordance with the Master Agreement;
“Air-conditioning Solutions Caps”	the maximum aggregate value of revenue recognized by DCH Group in accordance with generally accepted accounting standards for the provision of Air-conditioning Solutions to CPL Group for each period/year, as set out in the sub-section headed "Air-conditioning Caps" under the section headed "(A) Air-conditioning Solutions";
“Board”	the board of directors of the Company;
“Cap(s)”	any of the Air-conditioning Solutions Caps and the Repair and Maintenance Services Caps or all of them collectively, as set out under the Master Agreement;
“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);
“associate(s)”, “connected person(s)”, “continuing connected transaction(s)”, “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 with limited liability, an intermediate controlling shareholder of the Company and a direct wholly-owned subsidiary of CITIC Limited (中國中信股份有限公司), the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 00267);
“CPL Group”	CPL together with its subsidiaries and associates from time to time, but excluding DCH Group for the purpose of this announcement;
“DCHE”	Dah Chong Hong (Engineering) Limited (大昌貿易行工程有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company;
“DCH Group”	the Company and its subsidiaries from time to time;
“DCH Service Provider”	DCHE or any of its Affiliates from time to time;
“Director” or “Directors”	the director(s) of the Company;

“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;
“MVAC systems”	mechanical ventilation air-conditioning systems;
“Master Agreement”	the master agreement dated 31 May 2019 entered into between DCHE and CPL in relation to the Air-conditioning Solutions and Repair and Maintenance Services to be provided by any DCH Service Provider to CPL Group;
“Relevant Period”	the period from the date of the Master Agreement to 31 December 2021;
“Repair and Maintenance Services”	the repair, maintenance and other services to be provided by any DCH Service Provider to CPL Group in accordance with the Master Agreement;
“Repair and Maintenance Services Caps”	the maximum aggregate value of revenue recognized by DCH Group in accordance with generally accepted accounting standards for the provision of Repair and Maintenance Services to CPL Group for each period/year, as set out in the sub-section headed "Repair and Maintenance Services Caps" under the section headed "(B) Repair and Maintenance 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, 31 May 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