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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
SALES OF MOTOR VEHICLES

On 20 August 2019, the Company entered into the Master Agreement with CPL, pursuant to which CPL Group may from time to time purchase the Motor Vehicles from 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 Caps for the Sales of Motor Vehicles 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 Sales of Motor Vehicles to CPL Group by the Group constitute continuing connected transactions for the Company.

Since the applicable percentage ratios under the Listing Rules in respect of the highest Cap for the Sales of Motor Vehicles by the Group to CPL Group 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

CPL Group has been purchasing motor vehicles from the Group from time to time in its ordinary and usual course of business to fulfil its business needs.

In view of CPL Group's increasing demand for motor vehicles from the Group, on 20 August 2019, the Company entered into the Master Agreement with CPL, setting forth the basis upon which CPL Group would continue to purchase motor vehicles from 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 Caps during the Relevant Period.

CONTINUING CONNECTED TRANSACTIONS

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

Date

20 August 2019

Parties

1. The Company
2. CPL

Term

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

Major Terms

Pursuant to the Master Agreement, CPL and the Company agree with each other that in the event that the relevant member(s) of CPL Group and the relevant member(s) of the Group enter into the Sales of Motor Vehicles during the Relevant Period, it will be in the ordinary and usual course of their respective businesses and on normal commercial terms within the limit of the Caps.

Historical Transaction Amount

Revenue recognized by the Group in accordance with generally accepted accounting standards for the sales of motor vehicles to CPL Group amounted to approximately HK\$0.3 million, HK\$1.2 million, HK\$2.4 million and HK\$2.4 million for the years ended 31 December 2016, 2017 and 2018 and for the seven months ended 31 July 2019 respectively.

Caps

The 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
Cap(s)	HK\$6.0 million	HK\$21.0 million	HK\$23.0 million

Basis of Determination of the Caps

The above Caps are calculated with reference to: (i) the historical volumes of the sales of motor vehicles by the Group to CPL Group; (ii) the prevailing market price of similar motor vehicles; and (iii) the Group's anticipation that volume of the sales of motor vehicles will expand given the increasing demand of CPL Group for motor vehicles and therefore the relevant sales amount 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 purchase the Motor Vehicles from the Group; and even where CPL Group does purchase the Motor Vehicles from the Group, the actual revenue generated from the Sales of Motor Vehicles may or may not reach to levels of the 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 selling price of the Motor Vehicles offered to CPL Group shall be comparable to those offered to independent third parties and on such payment terms as may be agreed between relevant members of the Group and CPL Group.

REASONS FOR AND BENEFITS OF THE MASTER AGREEMENT

In line with the Group's strategic direction and long-term positioning strategy, the Group is expected to sell a wide range of motor vehicles 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 selling price of the Motor Vehicles to be provided by the Group to CPL Group and the payment terms are on normal commercial terms, fair and reasonable, in the ordinary and usual course of the Group's business and comparable to the terms offered to other independent third parties.

Mr. Zeng Chen, a non-executive Chairman of the Company, is the chairman and president 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. Zeng Chen, 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.

Save 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 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. As a result, the Sales of Motor Vehicles 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 for the Sales of Motor Vehicles by the Group to CPL Group 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 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:

“associate(s)”, each has the meaning ascribed to it by the Listing Rules;
“connected person(s)”,
“continuing connected transaction(s)”,
“controlling shareholder(s)”
and “subsidiary(ies)”

“Board”	the board of directors of the Company;
“Cap(s)”	the maximum aggregate value of revenue recognized by the Group in accordance with generally accepted accounting standards for the Sales of Motor Vehicles to CPL Group for each year/period, 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);
“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 the Group for the purpose of this announcement;
“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;
“Master Agreement”	the master agreement dated 20 August 2019 entered into between the Company and CPL in relation to the Sales of Motor Vehicles by the Group to CPL Group;
“Motor Vehicles”	the motor vehicles distributed under the Group’s motor business;
“Relevant Period”	the period from the date of the Master Agreement to 31 December 2021;
“Sales of Motor Vehicles”	the sales of the Motor Vehicles by the Group to CPL Group in accordance with the Master Agreement;

“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, 20 August 2019

As at the date of this announcement, the Directors are:-

Executive Directors: Lai Ni Hium and Lee Tak Wah

Non-executive Directors: Zeng Chen (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