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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)



CITIC PACIFIC

CITIC Pacific Limited
中信泰富有限公司
(incorporated in Hong Kong with limited liability)
(Stock Code: 00267)

CONNECTED TRANSACTION

ACQUISITION BY GUANGZHOU GUANGBAO OF THE REMAINING INTEREST IN GUANGZHOU LONGDE

The directors of DCH Holdings and CITIC Pacific jointly announce that on 10 June 2009, Guangzhou Guangbao (a company accounted for as a non-wholly owned subsidiary of DCH Holdings and CITIC Pacific) entered into the Equity Transfer Agreement with TC and JY, pursuant to which Guangzhou Guangbao agreed to acquire the remaining 30% equity interest in Guangzhou Longde from TC and JY (i.e. the Acquisition). Guangzhou Longde will become a wholly owned subsidiary of Guangzhou Guangbao upon completion.

TC and JY are substantial shareholders of Guangzhou Longde. DCH Holdings is a non-wholly owned subsidiary of CITIC Pacific. After the Capital Injection, Guangzhou Longde was owned as to 70% by Guangzhou Guangbao, and TC and JY therefore are connected persons of DCH Holdings and CITIC Pacific. Accordingly, the Acquisition constitutes a connected transaction for DCH Holdings and CITIC Pacific under the Listing Rules.

For DCH Holdings, since the relevant percentage ratios calculated with reference to the Acquisition are more than 0.1% but less than 2.5%, the Acquisition is only subject to the reporting and announcement requirements, but is exempted from the independent shareholders' approval requirements under the Listing Rules.

For CITIC Pacific, since the relevant percentage ratio calculated with reference to the Acquisition is more than 0.1% but less than 2.5%, the Acquisition is only subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirements under the Listing Rules.

BACKGROUND

Prior to Guangzhou Guangbao's initial investment in Guangzhou Longde, Guangzhou Longde was owned by TC and JY, both PRC state-owned enterprises, and HP as to 50%, 25% and 25%, respectively. The Framework Agreement was entered into by TC, JY and HP, the then existing shareholders of Guangzhou Longde, and Guangzhou Guangbao before Guangzhou Guangbao became a non-wholly owned subsidiary of DCH Holdings. The Framework Agreement set out the roadmap of the Initial Acquisition, the Capital Injection and the Acquisition. Under the Framework Agreement, Guangzhou Guangbao has paid a deposit in the amount of RMB16,750,375.06 (approximately HK\$19,095,427.57) to TC and JY. In turn, Guangzhou Guangbao is allowed to participate in the management of Guangzhou Longde after the Initial Acquisition.

Pursuant to the Framework Agreement, Guangzhou Guangbao acquired the initial 25% equity interest in Guangzhou Longde from HP at the consideration of RMB5,583,458.35 (approximately HK\$6,365,142.52) in September 2008 (i.e. the Initial Acquisition). Then, in December 2008, a capital injection of RMB15,000,000 (approximately HK\$17,100,000) was made by Guangzhou Guangbao in favour of Guangzhou Longde (i.e. the Capital Injection). After the Capital Injection, Guangzhou Guangbao's equity interest in Guangzhou Longde was increased from 25% to 70%, thus making TC and JY connected persons of DCH Holdings and CITIC Pacific.

Since the remaining equity interest in Guangzhou Longde are assets owned by PRC state-owned enterprises, Guangzhou Guangbao would need to submit a tender to bid for them.

On 4 March 2009, Guangzhou Guangbao submitted a tender to GEMAS to bid for the remaining 30% equity interest in Guangzhou Longde which had been put out to open tender on GEMAS. As a result of the successful bid by Guangzhou Guangbao, the directors of DCH Holdings and CITIC Pacific jointly announce that on 10 June 2009, Guangzhou Guangbao entered into the Equity Transfer Agreement with TC and JY, pursuant to which Guangzhou Guangbao agreed to acquire the remaining 30% equity interest in Guangzhou Longde from TC and JY (i.e. the Acquisition). Guangzhou Longde will become a wholly owned subsidiary of Guangzhou Guangbao upon completion.

EQUITY TRANSFER AGREEMENT

Date: 10 June 2009

Parties:

(1) Purchaser: Guangzhou Guangbao

(2) Sellers: (i) TC
(ii) JY

Assets

20% and 10% equity interests in Guangzhou Longde held by TC and JY, respectively, as at the date of this announcement.

Consideration and Completion

In the tender, Guangzhou Guangbao bid RMB16,750,375.06 (approximately HK\$19,095,427.57), being the required minimum floor price, of which RMB11,166,916.71 (approximately HK\$12,730,285.05) is payable to TC for the 20% equity interest in Guangzhou Longde and RMB5,583,458.35 (approximately HK\$6,365,142.52) is payable to JY for the 10% equity interest in Guangzhou Longde. The consideration for the Acquisition was determined based on Guangzhou Guangbao's assessment of the value for the entire 100% equity interest in Guangzhou Longde of RMB22,333,833.41, which is the same valuation used for the Initial Acquisition exclusive of the effect of Capital Injection.

The above assessed value by Guangzhou Guangbao for Guangzhou Longde of RMB22,333,833.41 was determined by Guangzhou Guangbao after considering the following factors: (a) Guangzhou Longde's FAW Toyota dealership business together with the established customer base and workforce in Guangzhou area which are expected to widen Guangzhou Guangbao's market penetration; (b) the expected benefits accrued to Guangzhou Longde in light of the impact of lower rental under a long term lease contract in respect of a piece of land in Guangzhou, the PRC used by Guangzhou Longde for vehicle showrooms and repairs workshops purposes; and (c) the synergies expected to accrue by way of sharing of management, human resources, marketing and promotion, and other resources between Guangzhou Guangbao and Guangzhou Longde with added economies-of-scale.

As required by GEMAS, Guangzhou Guangbao paid an amount of RMB1,700,000 (approximately HK\$1,938,000) to GEMAS as earnest money when the tender was submitted, and such money would be deducted from the total consideration payable to TC and JY for the Acquisition.

The consideration for the Acquisition shall be paid by Guangzhou Guangbao in full within 3 working days after the date of the Equity Transfer Agreement.

Since a deposit in the amount of RMB16,750,375.06 (approximately HK\$19,095,427.57) has been paid by Guangzhou Guangbao to TC and JY under the Framework Agreement, the parties agreed that such amount shall be applied to settle the consideration for the Acquisition, and that an amount equivalent to the earnest money paid (i.e. RMB1,700,000 (approximately HK\$1,938,000)) would be refunded to Guangzhou Guangbao.

All taxes arising from the Acquisition shall be borne by the parties in accordance with the applicable PRC laws. Both TC and JY have undertaken that they shall not, and shall procure their affiliated companies not to, whether directly or indirectly, participate in or carry on any business or activity engaged in the same business as the "FAW Toyota" business operated by Guangzhou Longde, in the administrative region of Guangzhou, the PRC during a period of five years from the date on which the registration of the Acquisition with the relevant PRC governmental and regulatory authorities is completed.

The original investment amount of TC in respect of the 20% equity interest in Guangzhou Longde was RMB5,000,000 (approximately HK\$5,700,000). The original investment amount of JY in respect of the 10% equity interest in Guangzhou Longde was RMB2,500,000 (approximately HK\$2,850,000).

Other information

Guangzhou Longde provides vehicle sales, spare parts services and conducts customer survey services for the manufacturer or supplier in respect of the “FAW Toyota” brand in Guangzhou, the PRC.

As at 31 December 2008, the audited net asset value of Guangzhou Longde was RMB16,177,693.61 (approximately HK\$18,442,570.72).

For the year ended 31 December 2008, the audited net losses both before and after taxation and extraordinary items of Guangzhou Longde were RMB9,103,108.38 (approximately HK\$10,377,543.55). For the year ended 31 December 2007, the audited net losses before and after taxation and extraordinary items of Guangzhou Longde were RMB112,892.57 (approximately HK\$128,697.53) and RMB171,051.69 (approximately HK\$194,998.93), respectively.

After the Capital Injection, Guangzhou Longde was owned as to 70% by Guangzhou Guangbao. Although Guangzhou Longde falls within the Listing Rules definition of “subsidiary”, it is only accounted for as an associated company by DCH Holdings and/or CITIC Pacific as certain matters relating to Guangzhou Longde still require unanimous shareholders’ approval. Upon completion of the Acquisition, Guangzhou Longde will become a wholly owned subsidiary of Guangzhou Guangbao and in turn, a non-wholly owned subsidiary of DCH Holdings and CITIC Pacific.

REASONS FOR AND BENEFITS OF THE ACQUISITION

As mentioned in the Previous Announcement made in August 2008, during the acquisition of interest in Guangzhou Guangbao, Guangzhou Guangbao itself was already in the process of acquiring interests in an additional dealership in respect of “FAW Toyota” brand in the PRC.

The Acquisition represents an important step for Guangzhou Guangbao to complete the acquisition of such additional “FAW Toyota” dealership. Such acquisition should allow DCH Holdings to further consolidate its market position and expand its network in the Guangzhou area, a major market in the PRC.

The acquisition of Guangzhou Longde also provides Guangzhou Guangbao with additional capacity to serve the Guangzhou area and strengthen Guangzhou Guangbao’s marketing position in Guangzhou, while synergies are expected to accrue by sharing management, human resources, marketing and promotion, and other resources with added economies-of-scale.

The acquisition of Guangzhou Longde's control allows Guangzhou Guangbao an opportunity to better manage and operate Guangzhou Longde, and to improve the profitability of Guangzhou Longde. The Acquisition is a good investment opportunity acceptable to DCH Holdings and CITIC Pacific.

The directors of DCH Holdings (including the independent non-executive directors of DCH Holdings) consider that the Acquisition and the Equity Transfer Agreement are on normal commercial terms, fair and reasonable and in the interests of DCH Holdings and its shareholders as a whole.

The directors of CITIC Pacific (including the independent non-executive directors of CITIC Pacific) consider that the Acquisition and the Equity Transfer Agreement are on normal commercial terms, fair and reasonable and in the interests of CITIC Pacific and its shareholders as a whole.

GENERAL

TC is a stated-owned enterprise in the PRC. It is principally engaged in property management and property leasing.

JY is a state-owned enterprise in the PRC. It is principally engaged in import and export businesses and logistics services.

The DCH Group is a diversified business conglomerate in motor vehicle sales, motor vehicle related business and services, sales of food and consumer products, as well as logistics services, supported by integrated distribution platforms and a well-established base and network in the PRC, Hong Kong and Macao.

CITIC Pacific's operational focus is on China, both the mainland and Hong Kong. Its major businesses are special steel manufacturing, iron ore mining and property development in mainland China. Other businesses include power, aviation and civil infrastructure. It also holds controlling interests in DCH Holdings and CITIC 1616 Holdings Limited.

LISTING RULES IMPLICATIONS

TC and JY are substantial shareholders of Guangzhou Longde. DCH Holdings is a non-wholly owned subsidiary of CITIC Pacific. After the Capital Injection, Guangzhou Longde is owned as to 70% by Guangzhou Guangbao, which is in turn a company accounted for as a non-wholly owned subsidiary of DCH Holdings and CITIC Pacific, and TC and JY therefore are connected persons of DCH Holdings and CITIC Pacific. Accordingly, the Acquisition constitutes a connected transaction for DCH Holdings and CITIC Pacific under the Listing Rules.

For DCH Holdings, since the relevant percentage ratios calculated with reference to the Acquisition are more than 0.1% but less than 2.5%, the Acquisition is only subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirements under the Listing Rules.

For CITIC Pacific, since the relevant percentage ratio calculated with reference to the Acquisition is more than 0.1% but less than 2.5%, the Acquisition is only subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirements under the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“Acquisition”	the acquisition of the remaining 30% equity interest in Guangzhou Longde by Guangzhou Guangbao from TC and JY pursuant to the Equity Transfer Agreement;
“Capital Injection”	the capital injection of RMB15,000,000 made by Guangzhou Guangbao in favour of Guangzhou Longde in December 2008, whereby Guangzhou Guangbao's interest in Guangzhou Longde was increased from 25% to 70%;
“CITIC Pacific”	CITIC Pacific Limited (中信泰富有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on The Stock Exchange of Hong Kong Limited;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“DCH Group”	DCH Holdings and its subsidiaries;
“DCH Holdings”	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 of Hong Kong Limited;
“Equity Transfer Agreement”	the equity transfer agreement dated 10 June 2009 entered into among Guangzhou Guangbao, TC and JY in relation to the Acquisition;
“Framework Agreement”	the framework agreement dated 14 July 2008 entered into among TC, JY, HP and Guangzhou Guangbao (as supplemented by the related supplemental agreements thereto) in relation to Guangzhou Longde;

“GEMAS”	廣州產權交易所 (Guangzhou Enterprises Mergers and Acquisitions Services), an equity exchange services institution authorised by the Guangdong Provincial Government of the PRC;
“Guangzhou Guangbao”	廣州廣保豐田汽車銷售服務有限公司 (Guangzhou Guangbao Toyota Motors Sale and Service Limited), a company established in the PRC with limited liability and accounted for as a non-wholly owned subsidiary of DCH Holdings and CITIC Pacific;
“Guangzhou Longde”	廣州龍的豐田汽車銷售服務有限公司 (Guangzhou Longde Toyota Motors Sale and Service Limited), a company established in the PRC with limited liability and owned as to 70% by Guangzhou Guangbao and therefore is a subsidiary of Guangzhou Guangbao as defined under the Listing Rules but is accounted for as an associated company of DCH Holdings and CITIC Pacific as at the date of this announcement;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“HP”	廣州市黃埔龍的汽車貿易有限公司 (Guangzhou Huangpu Longde Motor Vehicle Trade Co., Ltd.), a company established in the PRC with limited liability;
“Initial Acquisition”	the acquisition of an initial 25% equity interest in Guangzhou Longde by Guangzhou Guangbao from HP, which was completed in September 2008;
“JY”	廣州建元物流有限公司 (Guangzhou Jianyuan Material Trade & Logistics Co., Ltd.), a company established in the PRC with limited liability;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Macao”	the Macao Special Administrative Region of the PRC;
“percentage ratio(s)”	has the meaning ascribed to it under the Listing Rules;
“PRC”	the People’s Republic of China;
“Previous Announcement”	the joint announcement of DCH Holdings and CITIC Pacific dated 26 August 2008 in relation to “Acquisition of a 49% interest in FAW Toyota 4S Company and a 50% interest in Lexus 4S Company and the Related Shareholders’ Loans”;
“RMB”	Renminbi, the lawful currency of the PRC;

“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules;
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules;
“TC”	廣州市騰創貿易有限公司(Guangzhou Tengchuang Trade Co., Ltd.), a company established in the PRC with limited liability; and
“%”	per cent.

For illustration purposes in this announcement, the conversion rate of RMB1.00 = HK\$1.14 was adopted. No representation is made that any amount in RMB has been or could be converted at the above rate or at any other rates or at all.

By order of the board
Dah Chong Hong Holdings Limited
Tso Mun Wai
Company Secretary

By order of the board
CITIC Pacific Limited
Stella Chan Chui Sheung
Company Secretary

Hong Kong, 10 June 2009

As at the date of this announcement, the directors of DCH Holdings are:

Executive directors: Hui Ying Bun (Chairman), Chu Hon Fai, Yip Moon Tong, Mak Kwing Tim, Lau Sei Keung, Tsoi Tai Kwan, Arthur and Glenn Robert Sturrock Smith

Non-executive directors: Ho Hau Hay, Hamilton, Chan Chui Sheung, Stella and Kwok Man Leung

Independent non-executive directors: Cheung Kin Piu, Valiant, Hsu Hsung, Adolf and Yeung Yue Man

As at the date of this announcement, the directors of CITIC Pacific are:

Executive directors: Chang Zhenming (Chairman), Peter Lee Chung Hing, Carl Yung Ming Jie, Vernon Francis Moore, Li Shilin, Liu Jifu, Milton Law Ming To, Wang Ande and Kwok Man Leung

Non-executive directors: Willie Chang, André Desmarais, Zhang Jijing, Ju Weimin and Peter Kruyt (alternate director to André Desmarais)

Independent non-executive directors: Hamilton Ho Hau Hay, Alexander Reid Hamilton, Hansen Loh Chung Hon and Norman Ho Hau Chong