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LOCO HONG KONG HOLDINGS LIMITED

港銀控股有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 8162)

**CONTINUING CONNECTED TRANSACTIONS
SALES AGREEMENT AND PURCHASE AGREEMENT ON
AUTOMOTIVE PARTS**

SALES AGREEMENT AND PURCHASE AGREEMENT

The Board is pleased to announce that on 13 February 2018 (after trading hours), Shanghai Friction and CYFC entered into the Sales Agreement and the Purchase Agreement in relation to the sale of Products A and purchase of Products B respectively for the year 2018.

IMPLICATIONS UNDER THE LISTING RULES

As CYFC is a connected person of the Company, the transaction under both the Sales Agreement and the Purchase Agreement constitute continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules. By virtue of Rule 20.99 of the GEM Listing Rules, as (i) CYFC is a connected person of the Company at the subsidiary level; (ii) the transactions contemplated under both the Sales Agreement and the Purchase Agreement are on normal commercial terms; (iii) the Board (including all the independent non-executive Directors) have approved the transactions and confirmed that the transactions are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, the transactions contemplated under both the Sales Agreement and the Purchase Agreement and the annual caps thereof are subject to reporting, annual review, announcement but are exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 13 February 2018 (after trading hours), Shanghai Friction and CYFC entered into the Sales Agreement and the Purchase Agreement in relation to the sale of Products A and purchase of Products B respectively for the year 2018.

PARTIES AND RELATIONSHIP OF THE PARTIES

Shanghai Friction is a company established under the laws of the PRC with limited liability and is indirectly owned as to 50% and 20% by the Company and CYFC respectively as at the date of this announcement. Shanghai Friction is principally engaged in trading of automotive parts.

CTC is a company established under the laws of the PRC with limited liability and directly holds 20% equity interest in Shanghai Friction, a subsidiary of the Company. Hence, CTC is a connected person of the Company at subsidiary level. Also, CTC is a directly wholly-owned subsidiary of CYFC and so CYFC is an associate of CTC in accordance with Rules 20.11 of the GEM Listing Rules, and accordingly a connected person of the Company at subsidiary level. CYFC is principally engaged in manufacturing and sale of automotive parts.

The Sales Agreement and the Purchase Agreement

(i) The Sales Agreement on sale of Products A

Date: 13 February 2018

Parties: (1) Shanghai Friction; and
(2) CYFC

CYFC is a connected person of the Group at the subsidiary level and further details about CYFC are set out in the paragraph headed “Implications under Listing Rules” below.

Terms: Eleven months commencing from 1 February 2018 to 31 December 2018

Products: Host supporting assembly and ancillary products on automotive parts

Pricing: CYFC may purchase and Shanghai Friction may sell, the Products A at prices

determined on an arms' length basis, comparable to the prevailing market rates on terms no less favourable to the Group than those provide to any independent third parties customers.

In respect of all transaction contemplated under the Sales Agreement for the sale of Products A, Shanghai Friction and CYFC may, within the scope of the Sales Agreement, enter into a specific product sale and purchase agreement setting out, among others, quantity, specification, price and delivery terms, provided that the terms of the specific product sale and purchase agreement shall not contravene those of the Sales Agreement.

(ii) *The Purchase Agreement on purchase of Products B*

Date: 13 February 2018

Parties: (1) Shanghai Friction; and
(2) CYFC

CYFC is a connected person of the Group at the subsidiary level and further details about CYFC are set out in the paragraph headed "Implications under Listing Rules" below.

Terms: Eleven months commencing from 1 February 2018 to 31 December 2018

Products: Main component of automotive parts, including front and rear axle assembly, disc brake, drive motor and bake pad etc,

Pricing: Shanghai Friction may purchase and CYFC may sell, the Products B at prices determined on an arms' length basis, comparable to the prevailing market rates on terms no less favourable to the Group than those available to any independent third parties.

In respect of all transaction contemplated under the Purchase Agreement for the purchase of the Products B, Shanghai Friction and CYFC may, within the scope of the Purchase Agreement, enter into a specific product sale and purchase agreement setting out, among others, quantity, specification, price and delivery terms, provided that the terms of the specific product sale and purchase agreement shall not contravene those of the Purchase Agreement.

The procurement department of Shanghai Friction and its designated person will purchase according to the demand of corresponding customers on market price. If the prices offered by CYFC are higher than other independent suppliers, the Group has the right to purchase the Products B from other suppliers.

Proposed annual cap for the year ended

The Sale Agreement on sale of Products A

Shanghai Friction started to sale of Products A to CFYC since 1 February 2018. The proposed annual caps for the transactions contemplated under the Sale Agreement for the years ended/ ending 31 December 2018 is RMB50,000,000.

The proposed annual caps set out above are determined based on (i) the internal projection of the maximum amount of the major types of the Products A that may potentially be purchased by CYFC; (ii) the estimated prices for the sale of Products A in the financial years ending 31 December 2018; and (iii) the inclusion of a buffer to accommodate any unexpected changes in market conditions.

The Purchase Agreement on purchase of Products B

Shanghai Friction started to purchase of Products B from CYFC since 1 February 2018. The proposed annual caps for the transactions contemplated under the Purchase Agreement for the years ended/ ending 31 December 2018 is RMB110,000,000.

The proposed annual caps set out above are determined based on (i) the internal projection of the maximum amount of major types of the Products B that may potentially be purchased by the Group from CYFC; (ii) the estimated prices for the purchase of major types of the Products B in the financial years ending 31 December 2018; and (iii) the inclusion of a buffer to accommodate any unexpected changes in market conditions.

Reason for and benefits in the Sales Agreement and the Purchase Agreement

CYFC is a valuable business partner of the Group having a wealth of experience in manufacturing of automotive parts. Supply of Products A which is procured from independent suppliers, to CYFC for the manufacturing of automotive parts can provide a steady income for the Group.

Leveraging on the relationship with CYFC, the Group could procure the Products B from CYFC on better terms than those offered to it by third parties. Therefore, the Group could earn a profit margin when it resells such Products B to its customers. In addition, the trading of automotive parts is in the ordinary course of business of the Group and the Directors believe that the sale of the Products B will

ensure the Group a steady and reliable income.

The Directors (including the independent non-executive Directors) are of the view that entering into of both the Sales Agreement and the Purchase Agreement is in the ordinary and usual course of business of the Group and the terms of the Sales Agreement and the Purchase Agreement (including its annual cap) are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

None of the Directors has any material interest in the transactions contemplated under both the Sales Agreement and the Purchase Agreement, and none of them needs to abstain from voting on the board resolution approving both the Sales Agreement and the Purchase Agreement and the transactions contemplated thereunder.

IMPLICATIONS UNDER THE LISTING RULES

As CYFC is a connected person of the Company, the transaction under both the Sales Agreement and the Purchase Agreement constitute continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules. By virtue of Rule 20.99 of the GEM Listing Rules, as (i) CYFC is a connected person of the Company at the subsidiary level; (ii) the transactions contemplated under both the Sales Agreement and the Purchase Agreement are on normal commercial terms; (iii) the Board (including all the independent non-executive Directors) have approved the transactions and confirmed that the transactions are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, the transactions contemplated under both the Sales Agreement and the Purchase Agreement and the annual caps thereof are subject to reporting, annual review, announcement but are exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

DEFINITIONS

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

“Board”	The Board of Directors
“Company”	Loco Hong Kong Holdings Limited, a company incorporated in Hong Kong with limited liability and the issued Shares of which are listed on the GEM of the Stock Exchange

“CYFC”	烟台孚瑞克森汽車部件有限公司 (China Yantai Friction Co. Ltd.*), a company established under the laws of the PRC with limited liability
“CTC”	烟台孚瑞恒眾機電科技有限公司 (China Yantai Technology Company Limited*), a company established under the laws of the PRC with limited liability, a 20% equity holder of Shanghai Friction and a wholly-owned subsidiary of CYFC as at the date of this announcement
“Director(s)”	the directors of the Company including independent non-executive directors
“GEM”	Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“PRC”	the People’s Republic of China which for the purpose of this announcement shall exclude Hong Kong and Macau
“Products A”	Host supporting assembly and ancillary products on automotive parts
“Products B”	Main component on automotive parts including front and rear axle assembly, disc brake, drive motor and bake pad etc,

“Purchase Agreement”	the purchase agreement entered between Shanghai Friction and CYFC in relation to the purchase of Products B on 13 February 2018 (after trading hours)
“RMB”	Renminbi, the lawful currency of the PRC
“Sales Agreement”	the sale agreement entered between Shanghai Friction and CYFC in relation to the sale of Products A on 13 February 2018 (after trading hours)
“Shanghai Friction”	上海孚瑞恒眾汽車科技有限公司(Shanghai Friction Automotive Technology Co., Ltd.*) a company established under the laws of the PRC with limited liability and is indirectly owned as to 50% by the Company and 20% by CYFC as at the date of this announcement
“Shareholder(s)”	holders of ordinary shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

* *For identification purpose only*

By Order of the Board
Loco Hong Kong Holdings Limited
Zhu Hongguang
Chairman

Hong Kong, 13 February 2018

Executive Directors:

Mr. Zhu Hongguang (Chairman)

Mr. Zha Jianping (Chief Executive Officer)

Mr. Felipe Tan

Independent non-executive Directors:

Ms. Dai Meihong

Dr. Wang Lin

Ms. Tsang Wai Chun Marianna

This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on GEM website on the “Latest Company Announcements” page for at least seven days from the date of its posting and the Company website at www.locohkholdings.com.