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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)

DISCLOSEABLE TRANSACTION DISPOSAL OF A SUBSIDIARY

THE DISPOSAL

The Board announces that on 4 December 2018, after trading hours, the Purchaser and the Seller, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement, pursuant to which the Seller agreed to sell, and the Purchaser agreed to purchase, the entire equity interest of the Disposal Company at the Consideration of HK\$30,000,000.

IMPLICATIONS UNDER THE GEM LISTING RULES

As certain applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Disposal exceeds 5% but all of them are less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the notification and announcement requirements under Chapter 19 of the GEM Listing Rules.

INTRODUCTION

The board (the “**Board**”) of directors (the “**Director(s)**”) of Loco Hong Kong Holdings Limited (the “**Company**”) hereby announces that on 4 December 2018, after trading hours, United Bridge Holdings Limited (匯橋有限公司) (the “**Seller**”), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the “**Sale and Purchase Agreement**”) with Fortune Broadway Limited (富博匯有限公司) (the “**Purchaser**”) pursuant to which the Seller agreed to sell, and the Purchaser agreed to purchase, the entire equity interest of Shenzhen New Era Health Science And Technology Holdings Limited* (深圳時代健康科技控股有限公司) (the “**Disposal Company**”) at a consideration of HK\$30,000,000 (the “**Disposal**”).

THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are set out below:

Date

4 December 2018 (after trading hours)

Parties

- (i) Purchaser: Fortune Broadway Limited (富博匯有限公司), a company incorporated in Hong Kong with limited liability
- (ii) Seller: United Bridge Limited (匯橋有限公司), a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Company

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, as at the date of this announcement, the Purchaser is a third party independent of and not connected with the Company and its connected person.

Equity interest to be disposed of

100% of the equity interest of the Disposal Company to be sold by the Seller to the Purchaser pursuant to the Sale and Purchase Agreement.

* *English name for identification purpose only*

Consideration

The consideration is HK\$30,000,000 (the “**Consideration**”) payable by the Purchaser to the Seller before the completion of the Disposal in accordance with the Sale and Purchase Agreement.

The Consideration was arrived at based on normal commercial terms after arm’s length negotiations between the Purchaser and the Seller, with reference to the net asset value of the Disposal Company.

The Directors (including the independent non-executive Directors) consider that the terms and conditions of the Disposal to be fair and reasonable and are in the interests of the Company and its shareholders.

Termination

The Sale and Purchase Agreement may be unilaterally terminated by the Seller if the Purchaser fails to pay the Consideration in full to the Seller on or before Completion.

Completion

Completion shall take place upon the date of full payment of the Consideration by the Purchaser to the Seller which is within three (3) business days after the signing date of the Sale and Purchase Agreement (“**Completion**”).

Post-completion obligations

After Completion, the Purchaser shall (1) coordinate with the relevant government authorities to have the Sale and Purchase Agreement confirmed and approved, (2) register with the relevant government authorities within ten (10) days after receiving the certificate of approval, and (3) obtain a tax certificate from the tax authorities in respect of the Disposal (the “**Post-completion Obligations**”).

Upon the fulfillment of the Post-completion Obligations, the Seller will no longer hold any equity interest in the Disposal Company and the Disposal Company will cease to be a subsidiary of the Company.

INFORMATION OF THE DISPOSAL COMPANY

The Disposal Company is a company established in the People's Republic of China ("PRC") with limited liability. The principal business activity of the Disposal Company is trading of electronic products in the PRC.

The financial information of the Disposal Company for the two financial years ended 31 December 2016 and 31 December 2017 and for the nine months ended 30 September 2018 based on its unaudited management accounts are as follows:

	For the year ended 31 December 2016 <i>HK\$'000</i> (audited)	For the year ended 31 December 2017 <i>HK\$'000</i> (audited)	For nine months ended 30 September 2018 <i>HK\$'000</i> (unaudited)
Revenue	–	88,905	13,011
(Loss)/Profit before income tax expense	(315)	943	230
(Loss)/Profit after income tax expense	(315)	576	190

As at 30 September 2018, the unaudited total asset value and net asset value of the Disposal Company were approximately HK\$35,713,000 and HK\$35,689,000, respectively. Profit before income tax expense and profit after income tax expense of the Disposal Company for the nine months ended 30 September 2018 were approximately HK\$230,000 and HK\$190,000 respectively.

INFORMATION OF THE PURCHASER

The Purchaser is principally engaged in investment holding in Hong Kong and the PRC.

FINANCIAL EFFECT OF THE DISPOSAL

Based on the unaudited financial statements of the Disposal Company as at 30 September 2018, the Company is expected to record a loss of approximately HK\$5,689,000 (before taxation and subject to audit) from the Disposal, which is calculated with reference to the Consideration and the net asset value of the Disposal Company as at 30 September 2018.

Upon the fulfillment of the Post-completion Obligations, the Disposal Company will cease to be a subsidiary of the Company and the results and assets and liabilities of the Disposal Company will no longer be consolidated into the consolidated financial statements of the Company.

Proceeds of the Disposal are intended for general working capital purposes of the Company and for extend new business areas.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Company and its subsidiaries (collectively the “**Group**”) is principally engaged in trading of metal and commodity forward contracts, trading of electronic products, provision of merchandising support services and provision of money lending services in Hong Kong and the PRC.

The revenue generated from the Disposal Company is declining as a result of unfavourable market conditions and price competition in the relevant industry, and the businesses of the Disposal Company were stagnant since the first quarter in 2018, with commercial trading activities inactive, it may incur significant loss in foreseeable future. In addition, the Group was able to dispose the Disposal Company for cash in a simple and timely way, in order to expand other new businesses with potential profitability, compared to the time and cost required to collect trade receivables of the Disposal Company and its uncertainty. The Disposal represents a continuation of the Group’s strategy to strip slow-growing or loss-making business, streamline its businesses and increase its overall performance and prospects.

Based on the above, the Directors (including the independent non-executive Directors) consider that the terms and conditions of the Disposal are fair and reasonable and the Disposal is in the interests of the Company and its shareholders as a whole.

IMPLICATIONS UNDER THE GEM LISTING RULES

As certain applicable percentage ratios (as defined under the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (“**GEM Listing Rules**”)) in respect of the Disposal exceeds 5% but all of them are less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the notification and announcement requirements under Chapter 19 of the GEM Listing Rules.

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

Hong Kong, 4 December 2018

As of the date of this announcement, the executive Directors are Mr. Zhu Hongguang, Mr. Wang Wendong, Mr. Lam Chi Chung Tommy and Mr. Felipe Tan; and the independent non-executive Directors are Mr. Zhou Tianshu, Ms. Wu Liyan, Ms. Dai Meihong and Ms. Tsang Wai Chun Marianna.

This announcement, for which the Directors 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, 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 the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication and will be available on the Company’s website at <http://www.locohkholdings.com/>.