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NEW FOCUS AUTO TECH HOLDINGS LIMITED

新焦點汽車技術控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 360)

DISCLOSEABLE TRANSACTION – PROVISION OF LOAN

DISCLOSURE PURSUANT TO RULE 13.13 OF THE LISTING RULES

AND

INSIDE INFORMATION – POTENTIAL ACQUISITION

This announcement is made by the Company pursuant to Chapter 14 of the Listing Rules, Rules 13.09(2)(a) and 13.13 of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

THE PROVISION OF LOAN

The Board is pleased to announce that on 28 December 2017, the Company entered into the Loan Agreement with the Borrower and the Guarantors, pursuant to which the Company has agreed to provide the Loan in the principal amount of HK\$290,000,000 to the Borrower for a term of 12 months from the Drawdown Date.

THE POTENTIAL ACQUISITION

The Group has been actively searching for acquisition targets, which would facilitate the realization of the Group's business strategy and enhance the scale and competitiveness of the Group. The Guarantors are principally engaged in the operation of 4S dealership stores and related businesses in Inner Mongolia and collectively have a leading position in the local market. Having conducted preliminary due diligence on the Guarantors, the Directors consider the Guarantors, as a whole, as a Potential Acquisition target which is subject to further assessment by the Group.

The Potential Acquisition, if materialises, may constitute a very substantial acquisition of the Company under Chapter 14 of the Listing Rules. As at the date of this announcement, the Group has not entered into any binding agreement in relation to the Potential Acquisition. Further announcement(s) in relation to the Potential Acquisition will be made by the Company as and when appropriate.

IMPLICATIONS UNDER THE LISTING RULES

As one or more applicable percentage ratios calculated in accordance with the Listing Rules in respect of the provision of the Loan under the Loan Agreement exceed 5% but are less than 25%, the provision of the Loan under the Loan Agreement constitutes a discloseable transaction of the Company which is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As the amount of the advance to the Borrower exceeds 8% under the asset ratio as defined under Rule 14.07(1) of the Listing Rules, the provision of the Loan under the Loan Agreement is also subject to the general disclosure obligations under Rules 13.13 and 13.15 of the Listing Rules.

As at the date of this announcement, the Group has not entered into any binding agreement in relation to the Potential Acquisition and the Potential Acquisition may or may not proceed, Shareholders and potential investors should exercise caution when dealing in the Shares.

This announcement is made by the Company pursuant to Chapter 14 of the Listing Rules, Rules 13.09(2)(a) and 13.13 of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

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The principal terms of the Loan Agreement are set out below.

Date: 28 December 2017

Parties: (1) The Company, as the lender;
(2) the Borrower, as the borrower; and
(3) the Guarantors, as the guarantors.

Principal amount:	HK\$290,000,000
Interest rate:	12% per annum, which shall be calculated on the basis of actual days elapsed from the Drawdown Date over a 360-day year and shall be payable upon the maturity of the Loan.
Drawdown Date:	Within 5 business days after the date of the Loan Agreement.
Term:	12 months from the Drawdown Date.
Repayment:	The Borrower shall repay the principal amount of the Loan together with any accrued interest in full in one lump sum upon the maturity of the Loan.
Guarantee:	The Guarantors jointly and severally guarantee the obligations of the Borrower under and in connection with the Loan Agreement, including but not limited to the obligation of the Borrower to repay the Loan in full to the Company.
Potential Acquisition:	Pursuant to the Loan Agreement, if the Company or any of its subsidiaries acquires any or all of the equity interest(s) in any of the Guarantors or any other subsidiaries of the Borrower in the future, the Company will be entitled to set off any amount due and payable by the Borrower under the Loan Agreement against the consideration payable by the Company or any of its subsidiaries for the acquisition.

THE POTENTIAL ACQUISITION

Reference is made to the announcements of the Company dated 11 September 2017 and 21 September 2017 in relation to, among other things, a potential acquisition being considered by the Company.

The Group has been actively searching for acquisition targets, which would facilitate the realization of the Group's business strategy and enhance the scale and competitiveness of the Group. The Guarantors are principally engaged in the operation of 4S dealership stores and related businesses in Inner Mongolia and collectively have a leading position in the local market. Having conducted preliminary due diligence on the Guarantors, the Directors consider the Guarantors, as a whole, as a Potential Acquisition target which is subject to further assessment by the Group.

The provision of the Loan to the Borrower will allow the Group to conduct further due diligence on and analyse the business viability of the Guarantors in greater detail, thereby placing the Group in an advantageous strategic position in negotiating the terms for the Potential Acquisition of the Guarantors if the Group decides to proceed with the Potential Acquisition in the future.

The Potential Acquisition, if materialises, may constitute a very substantial acquisition of the Company under Chapter 14 of the Listing Rules. As at the date of this announcement, the Group has not entered into any binding agreement in relation to the Potential Acquisition. Further announcement(s) in relation to the Potential Acquisition will be made by the Company as and when appropriate.

REASONS FOR AND BENEFITS OF THE PROVISION OF THE LOAN

In addition to the reasons stated in the section headed “The Potential Acquisition”, the provision of the Loan will also provide reasonable interest income to the Company. The Loan is secured by a corporate guarantee from the Guarantors, which are subsidiaries of the Borrower. Based on the preliminary due diligence conducted by the Group on the Guarantors, the aggregate net asset value of the Guarantors as at 31 August 2017 was approximately RMB630 million. Accordingly, the Directors believe that the corporate guarantee provided by the Guarantors is sufficient for the purpose of securing the obligations of the Borrower to repay the Loan under the Loan Agreement.

The Loan will be funded by the internal resources of the Group and external financing.

The terms of the Loan Agreement were arrived at after arm’s length negotiations between the Company, the Borrower and the Guarantors with reference to, among other things, the quality and value of the security provided and the Group’s assessment on the ability of the Borrower to repay and the business conditions and creditworthiness of the Borrower.

Based on the above, the Directors are of the view that the terms of the Loan Agreement and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE GROUP

The Group is committed to the construction and development of individual automotive service chain network and automotive product e-commerce platform. The retail service chain stores of the Group, which are primarily city gas stations, provide car owners with automotive cleaning, beauty, maintenance, body repair and repair services and sell automotive products. The automotive product e-commerce platform of the Group provides customers with purchase, delivery and warehouse storage services of automotive repair parts and automotive products. The manufacturing business of the Group is principally engaged in the research and development, manufacture and sale of electronic and power-related automotive parts and accessories, which are mainly sold to the PRC, North America and Europe.

INFORMATION ON THE BORROWER

The Borrower is a company established under the laws of the PRC with limited liability, which is principally engaged in the retail sale of new and used automobiles.

Pursuant to a sale and purchase agreement dated 7 December 2016 entered into between CDH and Li & Lung, CDH has agreed to sell, and Li & Lung has agreed to purchase, all the shares and certain shareholder loans of CDH Matrix, and as long as the consideration is not

settled in full, Li & Lung will procure, among other things, that the legal representative of the Borrower nominated by CDH are duly appointed. In addition, Li & Lung executed an equitable mortgage over the shares in CDH Matrix in favour of CDH to secure its obligations under the aforementioned sale and purchase agreement. Pursuant to the aforementioned arrangement, CDH has nominated Mr. Du, a Director and the chairman of the Board, as the legal representative of the Borrower, and Mr. Du is also a director and the chairman of the board of directors of the Borrower. Accordingly, Mr. Du has abstained from voting on the relevant Board resolutions approving the Loan Agreement and the transactions contemplated thereunder.

Save as abovementioned, to the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Borrower and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

INFORMATION ON THE GUARANTORS

The Guarantors comprise 35 companies established under the laws of the PRC with limited liability, which are principally engaged in the operation of 4S dealership stores and related businesses in Inner Mongolia.

Further details of the Guarantors are set out as follows:

No.	Name	Equity interests held by the Borrower ^(Note) (%)
1.	Inner Mongolia Lifeng Insurance Agent Co., Ltd.* (內蒙古利豐保險代理有限責任公司)	100.00
2.	Inner Mongolia Lifeng Taiyu Automobile Service Co., Ltd.* (內蒙古利豐泰裕汽車服務有限公司)	100.00
3.	Inner Mongolia Lifeng Qingye Automobile Sales & Service Co., Ltd.* (內蒙古利豐慶業汽車銷售服務有限公司)	100.00
4.	Inner Mongolia Lifeng Taixiang Automobile Service Co., Ltd.* (內蒙古利豐泰祥汽車服務有限公司)	100.00
5.	Inner Mongolia Lifeng Taidi Automobile Service Co., Ltd.* (內蒙古利豐泰迪汽車服務有限公司)	100.00
6.	Hohhot Lifeng Taiyong Automobile Service Co., Ltd.* (呼和浩特市利豐泰永汽車服務有限公司)	100.00
7.	Inner Mongolia Lifeng Taijin Automobile Service Co., Ltd.* (內蒙古利豐泰津汽車服務有限公司)	100.00

No.	Name	Equity interests held by the Borrower ^(Note) (%)
8.	Inner Mongolia Lifeng Taiwei Automobile Service Co., Ltd.* (內蒙古利豐泰威汽車服務有限公司)	100.00
9.	Inner Mongolia Lifeng Tailong Automobile Service Co., Ltd.* (內蒙古利豐泰隆汽車服務有限公司)	100.00
10.	Inner Mongolia Lifeng Taixin Automobile Service Co., Ltd.* (內蒙古利豐泰鑫汽車服務有限公司)	100.00
11.	Tongliao Lifengtong Vehicle Store Co., Ltd.* (通遼市利豐通汽車行有限公司)	94.225 [#]
12.	Tongliao Lifeng Taida Automobile Sales & Service Co., Ltd.* (通遼市利豐泰達汽車銷售服務有限公司)	94.225 [#]
13.	Tongliao Lifeng Taichang Automobile Sales & Service Co., Ltd.* (通遼市利豐泰昌汽車銷售服務有限公司)	94.225 [#]
14.	Tongliao Lifeng Taiyu Automobile Sales & Service Co., Ltd.* (通遼市利豐泰宇汽車銷售服務有限公司)	94.225 [#]
15.	Tongliao Lifeng Taidi Automobile Sales & Service Co., Ltd.* (通遼市利豐泰迪汽車銷售服務有限公司)	94.225 [#]
16.	Hinggan Lifeng Taiyu Motor Sales Co., Ltd.* (興安盟利豐泰宇汽車銷售有限公司)	54.50 [#]
17.	Hinggan Taihong Wuling Motor Sales Co., Ltd.* (興安盟泰宏五菱汽車銷售有限公司)	54.50 [#]
18.	Hinggan Lifeng Taiyu Automobile Service Co., Ltd.* (興安盟利豐泰裕汽車服務有限公司)	100.00
19.	Ulanhot Taidi Automobile Sales & Service Co., Ltd.* (烏蘭浩特市泰迪汽車銷售服務有限公司)	54.50 [#]
20.	Chifeng Lifeng Wuling Automobile Sales & Service Co., Ltd.* (赤峰市利豐五菱汽車銷售服務有限公司)	94.917 [#]
21.	Chifeng Lifeng Automobile Service Co., Ltd.* (赤峰市利豐汽車服務有限責任公司)	94.917 [#]
22.	Chifeng Lifengtong Vehicle Store Co., Ltd.* (赤峰市利豐通汽車行有限公司)	94.917 [#]

No.	Name	Equity interests held by the Borrower ^(Note) (%)
23.	Chifeng Lifeng Toyota Automobile Sales & Service Co., Ltd.* (赤峰利豐豐田汽車銷售服務有限公司)	94.917#
24.	Chifeng Lifeng Taijin Automobile Sales & Service Co., Ltd.* (赤峰市利豐泰津汽車銷售服務有限公司)	94.917#
25.	Hulun Buir Lifeng Taidi Automobile Service Co., Ltd.* (呼倫貝爾市利豐泰迪汽車銷售有限公司)	96.00#
26.	Hulun Buir Lifeng Wuling Automobile Sales & Service Co., Ltd.* (呼倫貝爾市利豐五菱汽車銷售服務有限公司)	96.00#
27.	Hulun Buir Lifeng Tailing Automobile Sales & Service Co., Ltd.* (呼倫貝爾市利豐泰鈴汽車銷售服務有限公司)	96.00#
28.	Hulun Buir Lifengtong Vehicle Store Co., Ltd.* (呼倫貝爾市利豐通汽車行有限公司)	96.00#
29.	Hulunber Lifeng Tailai Automobile Service Co., Ltd.* (呼倫貝爾市利豐泰萊汽車服務有限公司)	96.00#
30.	Xilinguoleimeng Lifeng Toyota Automobile Sales & Service Co., Ltd.* (錫林郭勒盟利豐豐田汽車銷售服務有限公司)	96.00#
31.	Xilinguoleimeng Lifengtong Vehicle Store Co., Ltd.* (錫林郭勒盟利豐通汽車行有限公司)	97.44#
32.	Erdos Tianchi Automobile Sales & Service Co., Ltd.* (鄂爾多斯市天馳汽車銷售服務有限公司)	100.00#
33.	Erdos Tianwei Automobile Sales & Service Co., Ltd.* (鄂爾多斯市天為汽車銷售服務有限公司)	100.00
34.	Baotou Lifeng Taidi Automobile Service Co., Ltd.* (包頭市利豐泰迪汽車服務有限責任公司)	92.50
35.	Baotou Lifeng Hengxin Automobile Service Co., Ltd.* (包頭利豐恒信汽車服務有限公司)	92.50#

Note:

The symbol “#” denotes equity interests indirectly held by the Borrower.

Mr. Du, a Director and the chairman of the Board, is a director and the chairman of the board of directors of Erdos Tianchi Automobile Sales & Service Co., Ltd. * (鄂爾多斯市天馳汽車銷售服務有限公司) and Erdos Tianwei Automobile Sales & Service Co., Ltd. * (鄂爾多斯市天為汽車銷售服務有限公司). In addition, as disclosed in the section headed “Information on the Borrower”, Mr. Du is also the legal representative, a director and the chairman of the board of directors of the Borrower.

Save as abovementioned, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, each of the Guarantors and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

IMPLICATIONS UNDER THE LISTING RULES

As one or more applicable percentage ratios calculated in accordance with the Listing Rules in respect of the provision of the Loan under the Loan Agreement exceed 5% but are less than 25%, the provision of the Loan under the Loan Agreement constitutes a discloseable transaction of the Company which is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

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As at the date of this announcement, the Group has not entered into any binding agreement in relation to the Potential Acquisition and the Potential Acquisition may or may not proceed, Shareholders and potential investors should exercise caution when dealing in the Shares.

DEFINITIONS

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

“4S”	sales, spare parts, service and survey
“associate”	has the same meaning as ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“Borrower”	Inner Mongolia Lifeng Enterprise Group Co., Ltd.* (內蒙古利豐鼎盛汽車有限公司), a company established under the laws of the PRC with limited liability

“CDH”	CDH China Fund III, L.P., a limited liability partnership incorporated in the Cayman Islands and an associate of China Diamond Holdings Company Limited, the indirect controlling shareholder of the Company
“CDH Matrix”	CDH Matrix Limited, a company incorporated in the British Virgin Islands and is a wholly owned subsidiary of Li & Lung and an indirect controlling shareholder of the Borrower as at the date of this announcement
“Company”	New Focus Auto Tech Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 360)
“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules
“controlling shareholder”	has the same meaning as ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Drawdown Date”	the date on which the Loan is drawn down
“Group”	the Company and its subsidiaries
“Guarantors”	collectively, 35 companies established under the laws of the PRC with limited liability, further details of which are set out in the section headed “Information on the Guarantors” in this announcement
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Inner Mongolia”	the Inner Mongolia Autonomous Region of the PRC
“Li & Lung”	Li & Lung Limited, a company incorporated in the British Virgin Islands with limited liability and a third party independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Loan”	the loan in the principal amount of HK\$290,000,000 to be provided by the Company to the Borrower pursuant to the Loan Agreement

“Loan Agreement”	the loan agreement dated 28 December 2017 entered into between the Company, the Borrower and the Guarantors in relation to, among other things, the provision of the Loan by the Company to the Borrower
“Potential Acquisition”	the potential acquisition of any or all of the equity interest(s) in any of the Guarantors or any other subsidiaries of the Borrower by the Company or any of its subsidiaries
“PRC”	the People’s Republic of China, for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of par value HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s) from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

By order of the Board
New Focus Auto Tech Holdings Limited
DU Jinglei
Chairman

Hong Kong, 28 December 2017

As at the date hereof, the Directors of the Company are: executive Director – DU Jinglei; non-executive Directors – YING Wei, WANG Zhenyu; ZHANG Jianxing and LI Ngai; and independent non-executive Directors – HU Yuming, LIN Lei and ZHANG Xiaoya.

* *For identification purposes only*