Hong Kong Exchanges and Clearing Limited and the Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

LOCO HONG KONG HOLDINGS LIMITED
港銀控股有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 8162)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

CHARACTERISTICS OF GEM ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the "Directors" or individually a "Director") of Loco Hong Kong Holdings Limited (the"Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (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 shall remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least seven days from the date of its posting and on the Company's website at www.locohkholdings.com.

The Board of Directors (the "Board") of the Company hereby announces the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2018, together with comparative figures for the previous year, as set out below:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	**2018**	2017
		HK$'000	*HK$'000*
			(restated)
Continuing operations			
Revenue			
– Sales of metal		**1,075,894**	2,243,881
– Interest income from customers and suppliers		**7,979**	6,159
– Order commission		**67**	464
Total revenue	*5*	**1,083,940**	2,250,504
Trading losses on commodity forward contracts	*5*	**(1,093)**	(1,299)
Other income		**350**	336
		1,083,197	2,249,541
Carrying value of inventories sold		**(1,066,363)**	(2,231,499)
Change in fair value of commodity inventories		**(3,226)**	5,712
Employee costs	*6*	**(17,481)**	(17,372)
Depreciation		**(1,446)**	(1,822)
Rental expenses		**(5,304)**	(5,698)
Fair value gain on derivative component of convertible bonds		**–**	1,411
Fair value loss on investments held for trading		**–**	(2,017)
Loss on disposal of property, plant and equipment		**(278)**	–
Gain on disposal of a subsidiary		**–**	4
Other operating expenses		**(10,482)**	(12,374)
Impairment loss on loan receivable		**(76)**	–
Share of loss of associates		**(19)**	(1)
Finance costs		**(1,094)**	(3,718)
Loss before income tax expense		**(22,572)**	(17,833)
Income tax credit/(expense)	*8*	**60**	(841)
Loss for the year from continuing operations		**(22,512)**	(18,674)
Discontinued operations			
(Loss)/Profit for the year from discontinued operations	*10*	**(5,141)**	575
Loss for the year		**(27,653)**	(18,099)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000 (restated)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Release of translation reserve upon disposal of a subsidiary		**42**	–
Exchange differences on translating foreign operations		**(2,589)**	2,486
Other comprehensive (loss)/income for the year, net of tax		**(2,547)**	2,486
Total comprehensive loss for the year		**(30,200)**	(15,613)
(Loss)/Profit attributable to owners of the Company:			
– from continuing operations		**(22,261)**	(18,498)
– from discontinued operations		**(5,156)**	575
Loss for the year attributable to owners of the Company		**(27,417)**	(17,923)
(Loss)/Profit attributable to non-controlling interests:			
– from continuing operations		**(251)**	(176)
– from discontinued operations		**15**	–
Loss for the year attributable to non-controlling interests		**(236)**	(176)
Total comprehensive loss for the year attributable to:			
– owners of the Company		**(29,935)**	(15,468)
– non-controlling interests		**(265)**	(145)
		(30,200)	(15,613)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000 (restated)
Total comprehensive (loss)/income attributable to owners of the Company:			
– from continuing operations		**(22,436)**	(18,463)
– from discontinued operations		**(7,499)**	2,995
		(29,935)	(15,468)
(Loss)/Earnings per share attributable to owners of the Company during the year (basic and diluted)			
– from continuing operations	*11*	**HK cents (4.64)**	HK cents (4.24)
– from discontinued operations	*11*	**HK cents (1.07)**	HK cents 0.13
		HK cents (5.71)	HK cents (4.11)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		**1,241**	2,396
Interest in an associate		**–**	299
Other financial asset		**5,000**	1
		6,241	2,696
Current assets			
Inventories	*12*	**41,972**	105,280
Trade and other receivables and prepayments	*13*	**23,926**	61,352
Loan receivable		**7,513**	9,000
Derivative financial assets		**6,889**	8,935
Amount due from a related company		**–**	54
Tax recoverable		**277**	319
Cash and cash equivalents		**82,288**	46,630
		162,865	231,570
Current liabilities			
Other payables, accruals and deposits received	*14*	**51,183**	43,647
Borrowing		**4,100**	–
Derivative financial liabilities		**1**	76
Amount due to an associate		**–**	295
Amounts due to related companies		**4,173**	50,023
Amounts due to directors		**–**	154
Loan from a related company		**27,195**	27,195
Tax payable		**–**	206
		86,652	121,596
Net current assets		**76,213**	109,974
Total assets less current liabilities		**82,454**	112,670
Net assets		**82,454**	112,670
Equity			
Share capital		**122,898**	122,898
Reserves		**(40,444)**	(10,083)
Equity attributable to the owners of the Company		**82,454**	112,815
Non-controlling interests		**–**	(145)
Total equity		**82,454**	112,670

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in Hong Kong. Its shares are listed on GEM of the Stock Exchange. Prior to 13 September 2018, the addresses of its registered office and principal place of business are Room 1702, 17/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong. On 13 September 2018, the Company has changed the addresses of its registered office and principal place of business to Unit 401, 4/F., Fairmont House, 8 Cotton Tree Drive, Admiralty, Hong Kong.

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, which are conducted in Hong Kong and People's Republic of China (the "PRC"). The Group ceased the business of 上海孚瑞恒眾汽車科技有限公司 (Shanghai Friction Automotive Technology Co., Ltd*) ("Shanghai Friction") an indirect subsidiary of the Company, which was principally engaged in the business of provision of merchandising support services with effect from 30 June 2018 and 深圳時代健康科技控股有限公司 (Shenzhen New Era Health Science And Technology Holdings Limited*) ("SZ New Era") an indirect wholly-owned subsidiary of the Company, which was principally engaged in the business of trading of electronic products with effect on 4 December 2018, respectively.

These consolidated financial statements are presented in thousands of units of Hong Kong dollars ("HK$'000"), unless otherwise stated. The financial statements were approved and authorised for issue by the directors on 22 March 2019.

2. CHANGES IN ACCOUNTING POLICIES

Application of new or revised Hong Kong Financial Reporting Standards ("HKFRSs")

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers
HK(IFRIC)-Int 22	Foreign currency transactions and advance consideration

The impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers have been summarised in below. The other new or amended HKFRSs that are effective from 1 January 2018 did not have any material impact on the Group's accounting policies.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

* *English name for identification purpose only*

2. CHANGES IN ACCOUNTING POLICIES (Continued)

Application of new or revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

(i) HKFRS 9 "Financial Instruments"

HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

a. Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

2. CHANGES IN ACCOUNTING POLICIES (Continued)

Application of new or revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

(i) HKFRS 9 "Financial Instruments" (Continued)

a. Classification of financial assets and financial liabilities (Continued)

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 December 2017	Reclassification	Remeasurement	HKFRS 9 carrying amount at 1 January 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets carried at amortised cost				
Trade and other receivables	60,936	–	–	60,936
Cash and cash equivalents	46,630	–	–	46,630
Loan receivable	9,000	–	–	9,000
Amount due from a related company	54	–	–	54
	116,620	–	–	116,620
Financial assets carried at FVPL				
Equity securities *(note (i))*	–	1	–	1
Derivative financial assets *(note (ii))*	8,935	–	–	8,935
	8,935	1	–	8,936
Financial assets classified at available-for-sale under HKAS 39 *(note (i))*	1	(1)	–	–

2. CHANGES IN ACCOUNTING POLICIES (Continued)

Application of new or revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

(i) HKFRS 9 "Financial Instruments" (Continued)

a. Classification of financial assets and financial liabilities (Continued)

Notes:

(i) Under HKAS 39, equity securities were classified as available-for-sale financial assets. These equity securities are classified as at FVPL under HKFRS 9, unless they are eligible for and designated at FVOCI by the Group.

(ii) Derivative financial assets were classified as financial assets at FVPL under HKAS 39. These assets continue to be measured at FVPL under HKFRS 9.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

b. Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to the financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables, loan receivable and amount due from a related company). The impact of adopting ECL model under HKFRS 9 was not significant and, therefore, the Group made no adjustment to equity as of 1 January 2018 for the changes in impairment.

2. CHANGES IN ACCOUNTING POLICIES (Continued)

Application of new or revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

(i) HKFRS 9 "Financial Instruments" (Continued)

c. Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

– Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in accumulated losses and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

– The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Group):

  • the determination of the business model within which a financial asset is held

– If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(ii) HKFRS 15 "Revenue from contracts with customers"

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specified the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

2. CHANGES IN ACCOUNTING POLICIES (Continued)

Application of new or revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

(ii) HKFRS 15 "Revenue from contracts with customers" (Continued)

Further details of the nature and effect of the changes on previous accounting policies are set out below:

a. *Timing of revenue recognition*

Previously, revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers. Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

– When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

– When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced; or

– When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The Group's contracts with customers for the sales of metal and electronic products generally include one performance obligation. The Group has concluded that revenue from sale of goods should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Therefore, the adoption of HKFRS 15 did not have an impact on the timing of revenue recognition.

2. CHANGES IN ACCOUNTING POLICIES (Continued)

Application of new or revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

(ii) HKFRS 15 "Revenue from contracts with customers" (Continued)

b. Principal versus agent considerations

The Group has completed the acquisition of 50% equity interest in Shanghai Friction during the year and accounted for as a subsidiary of the Group (see note 7(b)). The principal activities of Shanghai Friction are to procure automotive parts from 煙台孚瑞克森汽車部件有限公司 (China Yantai Friction Co., Ltd.*) ("CYFC"), a shareholder of 20% indirect equity interest in Shanghai Friction, and to arrange for sales of those automotive parts to customers in the PRC. Upon adoption of HKFRS 15, the Group determined that it does not control the goods before they are transferred to customers, and hence, is an agent in these contracts because it does not have the ability to direct the use of those automotive parts. The performance obligation of the Group is to provide merchandising support services to facilitate the sales of those automotive parts by CYFC to customers. Accordingly, upon adoption of HKFRS 15, the Group has recognised revenue of HK$1,039,000 in its consolidated financial statements for the year ended 31 December 2018 which sum represents income derived from providing such merchandising support services.

c. Presentation and disclosure requirements

As required for the consolidated financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group has also disclosed information about the relationship between the disclosures of disaggregated revenue and revenue information disclosed for each reportable segment. Refer to note 4 for the disclosure on disaggregated revenue.

(iii) HK(IFRIC) 22 "Foreign currency transactions and advance consideration"

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC) 22 does not have any material impact on the financial position and the financial result of the Group.

* *English name for identification purpose only*

3. BASIS OF PREPARATION

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosures provisions of the GEM Listing Rules.

(b) Basis of measurement

The financial statements have been prepared under the historical cost basis except for certain inventories and financial instruments, which are measured at fair values.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Functional and presentation currency

The functional currency of the Company and some major subsidiaries is United States dollar ("US$"). The functional currency of the subsidiaries incorporated in the PRC is Renminbi ("RMB"). However, the financial statements are presented in Hong Kong dollar ("HK$") instead of its functional currency as the directors consider that HK$ is a more appropriate presentation currency in view of its principal place of financing activities.

4. SEGMENT REPORTING

The Group determines its operating segments based on the reports reviewed by the executive directors, who are the chief operating decision-maker that are used to make strategic decision. The Group manages its business by divisions, which are organised by business lines.

During the year ended 31 December 2018, the Group disposed its businesses in trading of electronic products and merchandising support services which are classified as discontinued operations for the year ended 31 December 2018. Further details of the disposal of the business in trading of electronic products and merchandising support services are set out in notes 7 and 10.

During the year, there are four reportable segments. The segments are managed separately as each business offers different products and requires different businesses strategies. The following summary describes the operations in each of the Group's reportable segments:

Continuing operations:

– Trading of metal – Sales of metal and interest income from Forward Arrangements (as defined in note 5) in Hong Kong

– Money lending – Provision of money lending service in Hong Kong

Discontinued operations:

– Trading of electronic products – Trade of electronic products in the PRC. The segment is discontinued and disposed of on 4 December 2018. Further details are disclosed in notes 7 and 10.

– Merchandising support services – The Group commenced the merchandising support services for trading of automotive parts in the PRC since February 2018 following the completion of acquisition of a PRC entity. This segment is deemed to be disposed of on 30 June 2018. Further details are disclosed in notes 7 and 10.

(a) Segments results, assets and liabilities

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of profit/(loss) before tax from continuing operations. The profit/(loss) before tax from continuing operations is measured consistently with the Group's loss before income tax expense from continuing operations except that unallocated depreciation, unallocated interest expenses, unallocated employee costs, share of loss of associates, Gain on disposal of a subsidiary, fair value loss on investments held for trading, fair value gain on derivative component of convertible bonds, unallocated rental expenses and other unallocated corporate expenses.

4. SEGMENT REPORTING (Continued)

(a) Segments results, assets and liabilities (Continued)

Segment assets exclude interest in an associate, unallocated cash and cash equivalents, unallocated property, plant and equipment and other unallocated corporate assets as these assets are managed on a group basis.

Segment liabilities exclude unallocated corporate liabilities as these liabilities are managed on a group basis.

Segment information about these reportable segments is for the years ended 31 December 2018 and 2017 is set out below.

	Year ended 31 December 2018				
	Continuing operations		Discontinued operations (note 10)		
	Trading of metal HK$'000	Money lending HK$'000	Merchandising support services HK$'000	Trading of electronic products HK$'000	Total HK$'000
Reportable segment revenue *(note)*	1,083,348	592	1,039	13,011	1,097,990
Reportable segment (loss)/profit	(2,815)	46	34	122	(2,613)
Interest income	7,434	592	1	1	8,028
Interest expenses	(999)	–	–	–	(999)
Depreciation	(461)	–	(28)	(11)	(500)
Change in fair value of commodity inventories	(3,226)	–	–	–	(3,226)
Income tax expenses	60	–	(2)	(39)	19
Reportable segment assets	123,043	9,380	–	–	132,423
Reportable segment liabilities	80,216	58	–	–	80,274
Additions to specified non-current assets	51	–	204	–	255

Note: There is no inter-segment revenue for the year.

4. SEGMENT REPORTING (Continued)

(a) Segments results, assets and liabilities (Continued)

	Year ended 31 December 2017 (restated)			
	Continuing operations		Discontinued operation *(note 10)*	
	Trading of metal	Money lending	Trading of electronic products	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Reportable segment revenue *(note)*	2,250,232	272	88,905	2,339,409
Reportable segment profit/(loss)	5,221	(495)	942	5,668
Interest income	5,887	272	–	6,159
Interest expenses	(1,184)	–	–	(1,184)
Depreciation	(618)	–	(7)	(625)
Change in fair value of commodity inventories	5,712	–	–	5,712
Income tax expenses	(840)	–	(367)	(1,207)
Reportable segment assets	164,712	9,280	37,025	211,017
Reportable segment liabilities	119,131	9	801	119,941
Additions to specified non-current assets	163	–	61	224

Note: There is no inter-segment revenue for the year.

4. SEGMENT REPORTING (Continued)

(b) Reconciliation of reportable segment results, segment assets and segment liabilities

	2018 *HK$'000*	2017 *HK$'000* (restated)
Revenue		
Reportable segment revenue	**1,097,990**	2,339,409
Elimination of discontinued operations	**(14,050)**	(88,905)
Consolidated revenue from continuing operations	**1,083,940**	2,250,504

	2018 *HK$'000*	2017 *HK$'000* (restated)
Loss before income tax expense from continuing operations		
Reportable segment (loss)/profit	**(2,613)**	5,668
Depreciation	**(985)**	(1,204)
Interest expenses	**(19)**	(2,399)
Employee costs	**(10,510)**	(10,198)
Share of loss of associates	**(19)**	(1)
Gain on disposal of a subsidiary	**–**	4
Fair value loss on investments held for trading	**–**	(2,017)
Fair value gain on derivative component of convertible bonds	**–**	1,411
Rental expenses	**(2,812)**	(3,994)
Other unallocated corporate expenses	**(5,458)**	(4,161)
Elimination of discontinued operations	**(156)**	(942)
Loss before income tax expense from continuing operations	**(22,572)**	(17,833)

	2018 *HK$'000*	2017 *HK$'000*
Asset		
Reportable segment assets	**132,423**	211,017
Cash and cash equivalents	**34,635**	19,627
Property, plant and equipment	**973**	1,662
Interest in an associate	**–**	299
Other unallocated corporate assets	**1,075**	1,661
Consolidated total assets	**169,106**	234,266

4. SEGMENT REPORTING (Continued)

(b) Reconciliation of reportable segment results, segment assets and segment liabilities (Continued)

	2018	2017
	HK$'000	*HK$'000*
Liabilities		
Reportable segment liabilities	**80,274**	119,941
Unallocated corporate liabilities	**6,378**	1,655
Consolidated total liabilities	**86,652**	121,596

(c) Geographical information

The Company is an investment holding company incorporated in Hong Kong and the principal place of the Group's operations is Hong Kong. Accordingly, the management determines that the Group is domiciled in Hong Kong.

The Group's revenue from customers and information about its specified non-current assets, comprising property, plant and equipment and interest in an associate, by geographical location are detailed below:

	Revenue from customers*	
	2018	2017
	HK$'000	*HK$'000*
		(restated)
Continuing operations		
Singapore	**537,495**	999,940
Hong Kong	**339,295**	996,747
Australia	**80,129**	124,806
Japan	**126,921**	103,448
PRC	**100**	99
United Kingdom	**–**	25,464
	1,083,940	2,250,504
Discontinued operations		
PRC	**14,050**	88,905
	1,097,990	2,339,409

* *Based on location of customers*

4. SEGMENT REPORTING (Continued)

(c) Geographical information (Continued)

	Specified non-current assets	
	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**1,241**	2,639
PRC	**–**	56
	1,241	2,695

(d) Disaggregation of revenue

	Continuing operations				Discontinued operations					
	Trading of metal		Money lending		Merchandising support services		Trading of electronic products		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Primary geographical markets										
Singapore	**537,495**	999,940	**–**	–	**–**	–	**–**	–	**537,495**	999,940
Hong Kong	**338,703**	996,475	**592**	272	**–**	–	**–**	–	**339,295**	996,747
Australia	**80,129**	124,806	**–**	–	**–**	–	**–**	–	**80,129**	124,806
Japan	**126,921**	103,448	**–**	–	**–**	–	**–**	–	**126,921**	103,448
PRC	**100**	99	**–**	–	**1,039**	–	**13,011**	88,905	**14,150**	89,004
United Kingdom	**–**	25,464	**–**	–	**–**	–	**–**	–	**–**	25,464
	1,083,348	2,250,232	**592**	272	**1,039**	–	**13,011**	88,905	**1,097,990**	2,339,409

4. SEGMENT REPORTING (Continued)

(e) Information about major customers

Revenue from major customers, each of them accounted for 10% or more of the Group's revenue from continuing operations and is reported under the segment of trading of metal, are set out below:

	2018	2017
	HK$'000	*HK$'000*
Customer A	**446,770**	764,919
Customer B	**N/A**	416,995
Customer C	**183,965**	390,638
Customer D	**N/A**	235,021
Customer E	**126,921**	N/A

N/A: Not applicable as the revenue generated by the customer is less than 10% of the Group's revenue from continuing operations.

5. INCOME FROM PRINCIPAL ACTIVITIES

The Group is principally engaged in (i) trading of metal and commodity forward contracts; (ii) trading of electronic products; (iii) provision of money lending services and (iv) merchandising support services.

Trading of metal and commodity forward contracts

Revenue from trading of metal is mainly arising from sales of silver and gold ("Commodity Inventories") by the Group as well as interest income generated from customers and suppliers. The Group enters into sale and purchase agreements for Commodity Inventories with certain customers and suppliers and under the terms of those agreements, the selling or purchase price of metal is determined based on the market price of silver on the date subsequent to the delivery date as specified by the customer or supplier (the "Forward Arrangements"). Interest is charged to the customers and suppliers of those agreements during the period of Forward Arrangements.

Trading gains or losses from commodity forward contracts mainly comprise the gains or losses arising from the Forward Arrangements with customers and suppliers as mentioned above and the gains or losses arising from the forward contracts entered into with commodity traders for hedging commodity price risk.

Provision of money lending services

Apart from interest income earned from the Forward Arrangements as mentioned above, the Group also earned interest income from a loan lend to a borrower.

Trading of electronic products

Revenue from trading of electronic products is arising form sales of electronic products during the year. The operation of trading of electronic products has been eventually ceased and disposed in December 2018.

Merchandising support services

Revenue from merchandising support services represent income derived from providing merchandising support services of automotive parts. The operation of merchandising support services was deemed to be disposed of on 30 June 2018.

6. EMPLOYEE COSTS

	2018	2017
	HK$'000	*HK$'000*
		(restated)
Continuing operations:		
Employee costs (including directors' emoluments) comprise:		
Salaries and bonus, allowances and benefits	**17,115**	17,057
Contributions to defined contribution retirement plans	**366**	315
	17,481	17,372

7. DISPOSAL OF SUBSIDIARIES AND DEEMED DISPOSAL OF A SUBSIDIARY

(a) In December 2018, the Group completed the disposal of the entire issued share capital in a wholly-owned subsidiary of the Group, SZ New Era, to an independent third party, for a consideration of HK$30,000,000. SZ New Era was principally engaged in trading of electronic products business in PRC. The net assets of SZ New Era being disposed of are as follows:

	Note	2018
		HK$'000
Net assets disposed of:		
Property, plant and equipment		**6**
Trade and other receivables and prepayment		**35,074**
Cash and cash equivalents		**157**
Other payables and accruals		**(23)**
Net asset disposed of		**35,214**
Consideration received:		
Cash received		**30,000**
Loss on disposal of a subsidiary:		
Consideration received		**30,000**
Net asset disposed of		**(35,214)**
Release of translation reserve upon disposal of a subsidiary		**(42)**
	10(a)	**(5,256)**

7. DISPOSAL OF SUBSIDIARIES AND DEEMED DISPOSAL OF A SUBSIDIARY (Continued)

(b) On 1 January 2018, a wholly-owned subsidiaries of the Group, New Visual International Holdings Limited completed the acquisition of 50% equity interest in Shanghai Friction which is principally engaged in provision of merchandising support services for trading of automotive parts in the PRC. The consideration of the acquisition is RMB1. Given that the another 30% equity holder of Shanghai Friction, 上海厚途汽車科技有限公司 (Shanghai Houtu Automotive Technology Co., Ltd.*) ("Shanghai Houtu") has signed the statement of the voting undertaking, Shanghai Friction is accounted for as a subsidiary of the Group. By virtue of the voting undertaking, the Group has obtained control over Shanghai Friction from the voting rights granted.

The fair value of identifiable assets and liabilities of Shanghai Friction as at the date of acquisition were as follows:

	Date of acquisition *HK$'000*
Property, plant and equipment	191
Other receivables	105
Cash and cash equivalents	883
Trade and other payables	(1,178)
Total identifiable assets acquired and liabilities assumed	1
Less: Non-controlling interest	(1)
	–
Cash consideration	–

* *English name for identification purpose only*

7. DISPOSAL OF SUBSIDIARIES AND DEEMED DISPOSAL OF A SUBSIDIARY (Continued)

(b) (Continued)

Since the acquisition, Shanghai Friction contributed revenue of HK$1,039,000 and profit of HK$32,000 to the Group for the year ended 31 December 2018.

In June 2018, Shanghai Houtu served a notice to the Group to revoke the statement of the voting undertaking. On 29 June 2018, the Group issued a letter to Shanghai Houtu consenting the revocation of the voting undertaking by Shanghai Houtu with effect from 30 June 2018. As a result, the Group ceased to have the control over Shanghai Friction. Meanwhile, the Group still has significant influence over Shanghai Friction and thus is accounted for as an associate upon loss of control.

As the Group has lost control over Shanghai Friction, it has derecognised the assets and liabilities of Shanghai Friction from the consolidated statement of financial position of the Group ("deemed disposal"); recognised the investment retained in Shanghai Friction at its fair value; and recognised the gain or loss associated with the loss of control attributable to the former controlling interest.

The net assets of Shanghai Friction at the date of the deemed disposal were as follows:

	Date of deemed disposal *HK$'000*
Property, plant and equipment	175
Other receivables	523
Cash and cash equivalents	4
Interest in an associate	4,727
Trade and other payables	(3,035)
	2,394
Less: Non-controlling interest	(2,379)
Carrying amount of the Group's interest in Shanghai Friction deemed disposed of	15
Interest in Shanghai Friction retained as an associate	15
Gain/loss on deemed disposal	–

8. INCOME TAX (CREDIT)/EXPENSE

The amount of income tax (credit)/expense in the consolidated statement of comprehensive income represents:

	2018	2017
	HK$'000	*HK$'000*
		(restated)
Continuing operations:		
Current tax		
– charge for the year	**–**	930
– over-provision in respect of prior years	**(60)**	(89)
Income tax (credit)/expense	**(60)**	841

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operates.

Pursuant to the rules and regulations of the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the BVI.

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for the years ended 31 December 2018 and 2017.

Under the law of the PRC on Enterprise Income Tax (the "EIT Laws") and Interpretation Regulation of the EIT Laws, the tax rate of the PRC subsidiaries is 25% for the years ended 31 December 2018 and 2017.

9. DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: nil).

10. DISCONTINUED OPERATIONS

(a) In December 2018, the Group ceased and disposed its business in trading of electronic products as a result of unfavourable market conditions and price competition in the relevant industry, and the businesses were stagnant since the first quarter in 2018. The disposal of the disposal group was completed in December 2018. Details of the disposal are set out in note 7(a).

The analysis of the results of discontinued operation is as follows. The comparative consolidated statement of comprehensive income has been re-presented to show the discontinued operation from continuing operation separately.

	Note	**2018**	2017
		HK$'000	*HK$'000*
Revenue		**13,011**	88,905
Carrying value of inventories sold		**(12,217)**	(82,836)
Other income		**2**	2
Administrative and other operating expenses		**(674)**	(5,129)
Profit before income tax expense		**122**	942
Income tax expense		**(39)**	(367)
		83	575
Loss on sale of discontinued operation	*7(a)*	**(5,256)**	–
(Loss)/Profit for the year from discontinued operation		**(5,173)**	575

(b) As set out in note 7(b), the Group lost control over Shanghai Friction upon revocation of the voting undertaking with effect from 30 June 2018. Accordingly, Shanghai Friction ceased to be subsidiary of the Group as from 30 June 2018 and it became an associate of the Group with effect from the same date and Shanghai Friction has since been accounted for in the consolidated financial statements using the equity method of accounting.

The management of the Group considers Shanghai Friction as a separate component of the Group. Accordingly, the operation of Shanghai Friction is presented as discontinued operation. The analysis of the results of discontinued operation is as follows:

	2018	2017
	HK$'000	*HK$'000*
Revenue	**1,039**	–
Other income	**2**	–
Administrative and other operating expenses	**(1,007)**	–
Profit before income tax expense	**34**	–
Income tax expense	**(2)**	–
Profit for the year from discontinued operation	**32**	–

11. (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted (loss)/earnings per share attributable to the owners of the Company is based on the following data:

(Loss)/Earnings	**2018** ***HK$'000***	2017 *HK$'000* (restated)
(Loss)/Profit for the purpose of basic (loss)/earnings per share		
– from continuing operations	**(22,261)**	(18,498)
– from discontinued operations	**(5,156)**	575
	(27,417)	(17,923)

Number of shares	**2018**	2017
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**480,170,000**	435,457,671

For the year ended 31 December 2017, the computation of diluted loss per share does not assume the exercise of the Company's outstanding share options since their exercise price is higher than the average market price of the Company's share for the year. In addition, it does not assume the conversion of the Company's convertible bonds as they have anti-dilutive effect on the loss per share calculation. Accordingly, the basic and diluted loss per share are the same.

For the year ended 31 December 2018, the computation of diluted loss per share does not assume the exercise of the Company's outstanding share options since their exercise price is higher than the average market price of the Company's share for the year. Accordingly, the basic and diluted loss per share are the same.

12. INVENTORIES

	2018	2017
	HK$'000	*HK$'000*
Silver	**41,558**	105,189
Gold	**320**	–
Low value consumables	**94**	91
	41,972	105,280

The fair values of the Commodity Inventories were determined by the Company by reference to the price available in active market including London Bullion Market Association.

The fair value of the Commodity Inventories is a level 2 recurring fair value measurement. The fair value measurement is based on the inventories' highest and best use, which does not differ from their actual use.

13. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2018	2017
	HK$'000	*HK$'000*
Trade and loan interest receivables *(notes (a) and (c))*	**279**	35,602
Deposits for commodity forward contracts *(note (b))*	**22,547**	24,015
Other receivables and deposits	**821**	1,319
Prepayments	**279**	416
	23,926	61,352

Credit period granted to a customer of trading of electronic products segment is six months.

13. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

Notes:

(a) Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default. All these receivables were either guaranteed by a personal guarantor or secured by a pledged property. As at 31 December 2018, the aging of these receivables, based on invoice dates, are all within six months (2017: six months).

(b) As mentioned in note 5, for trading purposes, the Group has to enter into Forward Arrangements with customers and suppliers as well as forward contracts with commodity traders. The balance represents margin deposits placed with commodity traders for entering into forward contracts, as well as deposits in the cash account held at the commodity traders.

(c) The Group assesses the impairment for its trade debtors, grouped by a matrix of shared credit risk characteristics and the days past due, because each of these trade debtors groupings consist of a large number of small trade debtors with common risk characteristics that are representative of the debtors' abilities to pay all amounts due in accordance with the contractual terms.

The following table provides information about the exposure to credit risk and ECL for trade receivables that are assessed collectively based on provision matrix as at 31 December 2018.

	Expected average loss rate	**Gross carrying amount** *HK$'000*	**Impairment loss allowance** *HK$'000*
Current (not past due)	0%	279	–

The estimated loss rates are estimated based on historical observed default rates over the expected life of the trade debtors and are adjusted for forward-looking information that is available without undue cost or effort.

14. OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	2018 ***HK$'000***	2017 *HK$'000*
Other payables and accruals	**3,554**	2,335
Deposits for commodity forward contracts *(note)*	**47,629**	41,312
	51,183	43,647

Note:

The Group has to enter into Forward Arrangements with customers and suppliers as well as forward contracts with commodity traders. The balance represents cash deposits received from suppliers and customers for entering into Forward Arrangements.

MANAGEMENT DISCUSSION AND ANALYSIS

Corporate Strategy and Business Model

The Group is principally engaged in trading of metal in Hong Kong accompanied with trading of commodity forward contracts for hedging purpose. Besides, the Group also engaged in trading of electronic products, provision of merchandising support services and provision of money lending services during the year.

The Group purchases silver raw material when we have sufficient capital and source of silver raw material. For other metals, whenever we can secure the sale, we proceed with the purchase of other metals. In order to ensure a sufficient supply of silver products to our customers, we maintain a target inventory level, by taking into account silver supplies and our processing capacity. A sales contract is originated by an inquiry from and/or negotiation with our customers. The purchase or sales price is expressed as a discount to or premium over the prevailing market price at a date to be agreed. Such discount or premium is negotiated on a case by case basis between us and our suppliers or customers, after taking into account various factors such as prevailing market conditions, order sizes and business relationship with our suppliers or customers.

We operate the silver processing facilities with a view to enhancing the marketability as well as facilitating the trading of our silver products. Our processing involves melting silver raw materials and moulding them into the shapes and forms required by our customers. The business models of our direct trading of silver and other metals are essentially identical to the trading of silver products which involve processing, except that we do not process the products sold under our direct trading.

The Group adopts hedging strategies to avoid negative impact on our income arising from price fluctuation of metals and minimize the downward volatility of our profitability. Such strategies mainly include entering into forward contracts with our commodity dealers to fix the forward price contemporaneously upon our fixing the purchase or sales price with our suppliers or customers.

Business Review

Sales of metal business

The Group's income was mainly generated from the sales of silver products. During the year under review, the market price of silver significantly decreases since the middle of the year, which adversely affected the overall silver supply in Hong Kong. Therefore, the sales volume of the silver products of the Group recorded a decrease during this year.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Business Review (Continued)

Sales of metal business (Continued)

For the year ended 31 December 2018, the Group recorded a revenue from sales of metal of approximately HK$1.1 billion (2017: HK$2.2 billion) of which 99% (2017: 99%) was contributed by sale of silver products and the remaining was contributed by sale of gold (2017: tin).

For the year ended 31 December 2018, the Group processed 264 tonnes (2017: 525 tonnes) of silver scrap. The total processing volume represented a decrease of approximately 50% when compared with last year.

Discontinued operation – Trading of electronic products

SZ New Era, a subsidiary established in the PRC has started operation of trading of electronic products since last year and contributed approximately HK$88.9 million revenue to the Group in 2017. However, the revenue generated from SZ New Era is declining as a result of unfavourable market conditions and price competition in the relevant industry, and the businesses of SZ New Era were stagnant since the first quarter in 2018, approximately HK$13.0 million revenue has been generated for the year ended 31 December 2018, represented a decrease of approximately 85% when compared with last year. The trading of electronic products segment no longer be part of the Group since the Group disposed the entire issued share capital in SZ New Era in December 2018.

Discontinued operation – Provision of merchandising support services

During the year under review, the Group has completed the acquisition of 50% equity interest in Shanghai Friction which is principally engaged in provision of merchandising support services for trading of automotive parts in the PRC. The merchandising support services were mainly provided to CYFC, a shareholder of 20% indirect equity interest in Shanghai Friction. On 29 June 2018, the Group consent the revocation of the voting undertaking by Shanghai Houtu with effective from 30 June 2018 which resulted in losing control over Shanghai Friction. Shanghai Friction become an associate of the Company and the merchandising support services segment no longer be part of the Group since 30 June 2018.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Business Review (Continued)

Provision of money lending services

United Worth Finance Limited, a subsidiary of the Group has obtained a money lenders license (under Money Lenders Ordinance, Chapter 163 of the Law of Hong Kong) since 2017 and is lawfully engaged in provision of money lending services in Hong Kong. For the year ended 31 December 2018, the size of the business still small as the Group stand in prudent approach on money lending business to earn interest from our borrowers. As at 31 December 2018, the amount of loan receivable from a customer is secured by a property in Hong Kong.

London Silver Price

The sales and purchase price of our silver products were determined with reference to a benchmark price namely "London Silver Price" quoted on the website of London Bullion Market Association and other prices published and distributed by various data vendors.

Outlook

For the coming future, the Group will continue to carry on trading of metal and provision of money lending service in Hong Kong. The significantly fluctuation of the market price of silver may affect the silver industry of Hong Kong and our Company as we encountered in the past few years, the Company would actively seek for new market opportunities and extend the business to investment, finance and trade on other commodity.

During the year, we have explored new sector of business of provision of merchandising support services for trading of automotive parts. However, the management of the Group conducted an effective and in-depth review of the operation and prospects of all business units since May 2018 and concluded that the business segment of merchandising support services could not reach the appropriate scale and generate commensurate investment return due to lack of growth potential. Such business segment no longer be part of the Group since 30 June 2018.

Outlook (Continued)

In view of the declining business of SZ New Era and it may incur significant loss in foreseeable future, the Group disposed the entire equity interest of SZ New Era for a consideration of HK$30.0 million in December 2018. Although a loss of approximately HK$5.3 million was recorded from the disposal, the Group was able to dispose SZ New Era 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 SZ New Era and its uncertainty. The disposal of SZ New Era also 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.

The Group will keep looking for any opportunity for the development of new business, seek cooperation opportunities with Chinese or international well-known companies, use of financial and capital instruments; extend new business areas; strive for sustainable development; and generate maximum returns for all the shareholders.

Financial Review

For the year ended 31 December 2018, the Group had a total income from continuing and discontinued operations of approximately HK$1.1 billion (2017: HK$2.3 billion), representing a decrease of approximately 52% as compared with 2017. Despite no finance cost incurred on convertible bonds and lower general operating expenses incurred during the year, the Group recorded loss after tax of approximately HK$27.7 million (2017: HK$18.1 million) for the year ended 31 December 2018, representing an increase of approximately 53% as compared with 2017. The increase in loss was mainly due to (i) a significant decrease in revenue of approximately 52% from sales of metal during the year, from HK$2.2 billion in last year to HK$1.1 billion in current year; and (ii) a one-off loss of approximately HK$5.3 million from the disposal of SZ New Era. The key performance indicators of the Group include those provided above and in the sections "Environmental, Social and Governance Report", "Business Review", "Capital Structure, Liquidity and Financial Resources" and "Financial Summary" in the annual report. They help the management to set, evaluate, implement and control strategies so as to improve our performance.

Capital Structure, Liquidity and Financial Resources

As at 31 December 2018, the Group had cash and bank balances of approximately HK$82.3 million (2017: HK$46.6 million) and net current assets of approximately HK$76.2 million (2017: HK$110.0 million). As at 31 December 2018, the current ratio stood at 1.88 times (2017: 1.90 times).

The Group generally finances its operations primarily with internally generated cash and loan from a related company. The increase in cash balance of HK$35.7 million mainly represented of less inventories were purchased, and proceeds from disposal of SZ New Era, netting off repayment of advance from related companies.

As at 31 December 2018, the Group had a loan from a related company of approximately HK$27.2 million (2017: HK$27.2 million) and a loan from a shareholder of approximately HK$4.1 million (2017: nil).

As at 31 December 2018, no banking facilities were granted the Group (2017: HK$10 million). The Directors believed that the Group has adequate financial resources to fulfill its commitments and working capital requirements.

Capital Commitment

As at 31 December 2018, the Group did not have any significant capital commitment.

Employees and Remuneration Policy

As at 31 December 2018, the Group employed a total of 25 staff. The total employee costs for continuing and discontinued operations, including remuneration of the Directors, for the year ended 31 December 2018 amounted to approximately HK$18.5 million.

Staff remuneration is reviewed by the Group from time to time and increases are granted normally annually or by special adjustment depending on length of service and performance when warranted. In addition to salaries, the Group provides staff benefits including outpatient medical reimbursement and provident fund. Share options and bonuses are also available to employees of the Group at the discretion of the Directors and depending upon the financial performance of the Group.

Charge on the Group's Assets

As at 31 December 2018, no assets of the Group were pledged as security.

Future Plan for Material Investments and Capital Assets

The Group does not have any concrete plan for material investments or capital assets for the coming year. Nonetheless, if any potential investment opportunity arises in the coming year, the Group will prepare the feasibility study and implementation plan when it is beneficial to the Group and its shareholders as a whole.

Significant Investments, Acquisitions and Disposals

Save as disclosed under the sections "Business Review" and "Outlook" and note 7 to the consolidated financial statements in relation to the disposal of SZ New Era and acquisition and deemed disposal of Shanghai Friction, there were no significant investment held as at 31 December 2018, nor other material acquisition and disposals of subsidiary during the year ended 31 December 2018.

Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: nil).

Gearing Ratio

As at 31 December 2018, the gearing ratio of the Group, calculated as debt (being borrowing and loan from a related company) divided by total equity was approximately 0.38 (2017: 0.24).

Foreign Exchange Exposure

Our sales, purchase and borrowings are predominantly denominated in HK$, US$ and RMB. The Directors considered that the Group had no significant exposure to foreign exchange fluctuations and believe it was not necessary to hedge against any exchange risk. Nevertheless, management will continue to monitor the foreign exchange exposure position and will take any future measures if appropriate.

Contingent Liabilities

The Group did not have any material contingent liabilities, guarantees or any litigation or claims of material importance pending or threatened against any member of our Group as at 31 December 2018 and there has not been any material change in the contingent liabilities of the Group since 31 December 2018.

Event after the Reporting Period

On 7 February 2019, the Company entered into the placing agreement (the "Placing Agreement") with the placing agent (the "Placing Agent"), pursuant to which the Placing Agent agrees, as agent of the Company, to procure on a best effort basis not less than six placees who and whose ultimate beneficial owners shall be independent third parties to subscribe for up to 96,000,000 new shares of the Company (the "Placing Share(s)") at the placing price of HK$0.241 per Placing Share (the "Placing"). On 25 February 2019, the Placing have been completed and the Placing Agent has successfully placed an aggregate of 96,000,000 Placing Shares to not fewer than six placees at the placing price of HK$0.241 per Placing Share. The gross proceeds from the Placing was approximately HK$23.1 million and the issued share capital of the Company was enlarged by the allotment and issue of 96,000,000 Placing Shares.

Details of the above transactions were published in the Company's announcements dated 7 February 2019 and 25 February 2019.

Save and except for this, up to the date of this announcement, there was no significant event relevant to the business or financial performance of the Group that come to the attention of the Directors after the reporting period.

AUDIT COMMITTEE AND REVIEW OF ACCOUNTS

The audit committee of the Company (the "Audit Committee") currently comprises five independent non-executive Directors, namely Mr. Zhou Tianshu, Ms. Wong Susan Chui San, Mr. Lau Yuen Sun Adrian, Ms. Wu Liyan and Ms. Tsang Wai Chun Marianna. Mr. Zhou Tianshu is the chairman of the Audit Committee.

The Audit Committee has reviewed the annual results and the audited financial statements of the Group for the year ended 31 December 2018.

SCOPE OF WORK OF CROWE (HK) CPA LIMITED ("CROWE")

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, Crowe, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Crowe in this announcement did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Crowe on the preliminary announcement.

DISCLOSURE UNDER SECTION 436 OF THE HONG KONG COMPANIES ORDINANCE

The financial information of the Group relating to the years ended 31 December 2018 and 2017 included in this preliminary announcement of annual results for the year ended 31 December 2018 do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31 December 2018 in due course. The Company's auditors, BDO Limited has reported on the financial statements of the Group for the year ended 31 December 2017 and Crowe has reported on the financial statements of the Group for the year ended 31 December 2018. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2018, the Group has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 of the GEM Listing Rules ("Code Provisions") except the deviation from A.2.1 of the Code Provisions. The Board reviews and improves its corporate governance practices from time to time so as to ensure that they comply with the statutory requirements and the Code Provisions.

A.2.1 of the Code Provisions stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Mr. Wang Wendong currently holds both positions. Since Mr. Wang Wendong joined the Company in May 2018, he has held the key leadership position of the Group and has been involved in the formulation of corporate strategies and management of business and operations of the Group. Taking into account the consistent leadership within the Group and in order to enable more effective and efficient overall strategic planning and continuation of the implementation of such plans, the Directors (including independent non-executive Directors) consider that Mr. Wang Wendong is the best candidate for both positions and the present arrangements are beneficial and in the interests of the Group and the shareholders as a whole.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions carried out by Directors, that is not laxer than relevant standards of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries to all Directors, they confirmed they have complied with the standards of dealings and the code of conduct regarding securities transactions carried out by Directors, adopted by the Company throughout the year ended 31 December 2018.

CLOSURE OF THE REGISTER OF MEMBERS

For the purpose of determining shareholders' entitlement to attend and vote at the forthcoming annual general meeting of the Company, the register of members of the Company will be closed from Tuesday, 18 June 2019 to Friday, 21 June 2019 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for attending at the meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the share registrar and transfer office of the Company in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not later than 4:00 p.m. on Monday, 17 June 2019.

By order of the Board
Loco Hong Kong Holdings Limited
Wang Wendong
Chairman and Chief Executive Officer

Hong Kong, 22 March 2019

As of the date of this announcement, the executive Directors are Mr. Wang Wendong, Mr. Zhu Hongguang and Mr. Felipe Tan; and the independent non-executive Directors are Ms. Wong Susan Chui San, Mr. Lau Yuen Sun Adrian, Ms. Wu Liyan, Mr. Zhou Tianshu and Ms. Tsang Wai Chun Marianna.