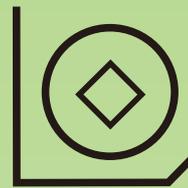


Loco Hong Kong Holdings Limited

港銀控股有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 8162)



First
Quarterly
Report
◦
2019



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.

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This report, 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 report 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 report misleading.

This report 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.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited Three months ended 31 March	
		2019	2018
		HK\$'000	HK\$'000
	Note		
Revenue			
– Sales of metal		105,178	424,007
– Sales of electronic products		–	13,011
– Merchandising support services		–	410
– Interest income from customers and suppliers		2,475	1,847
– Order commission		10	3
– Processing fee		180	–
		107,843	439,278
Trading (losses)/gains on commodity forward contracts		(710)	1,615
Other income		122	87
		107,255	440,980
Total income			
Carrying value of inventories sold		(105,452)	(435,086)
Employee costs		(5,845)	(4,241)
Depreciation		(766)	(499)
Rental expenses		(294)	(1,408)
Loss on disposal of property, plant and equipment		(13)	–
Other operating expenses		(5,185)	(1,746)
Share of loss of associates		–	(2)
Finance costs	3	(386)	(277)
		(10,686)	(2,279)
Loss before income tax expense		(10,686)	(2,279)
Income tax expense	4	–	(221)
		(10,686)	(2,500)
Loss for the period			
Loss for the period attributable to:			
– Owners of the Company		(10,686)	(2,324)
– Non-controlling interests		–	(176)
		(10,686)	(2,500)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

	Note	Unaudited Three months ended 31 March	
		2019 HK\$'000	2018 HK\$'000
Loss for the period		(10,686)	(2,500)
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		174	1,494
Total comprehensive income for the period		(10,512)	(1,006)
Total comprehensive income for the period attributable to:			
– Owners of the Company		(10,512)	(912)
– Non-controlling interests		–	(94)
		(10,512)	(1,006)
		HK cents	HK cents
Basic and diluted loss per share	6	(2.07)	(0.48)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited					Equity attributable to owners of the Company HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Merger reserve HK\$'000	Share option reserve HK\$'000	Exchange reserve HK\$'000	Accumulated Losses HK\$'000			
At 1 January 2018	122,898	(1,357)	380	2,335	(11,441)	112,815	(145)	112,670
Loss for the period	-	-	-	-	(2,324)	(2,324)	(176)	(2,500)
Other comprehensive income:								
Exchange differences on translating foreign operations	-	-	-	1,412	-	1,412	82	1,494
Total comprehensive income for the period	-	-	-	1,412	(2,324)	(912)	(94)	(1,006)
At 31 March 2018	122,898	(1,357)	380	3,747	(13,765)	111,903	(239)	111,664
At 1 January 2019	122,898	(1,357)	380	(183)	(39,284)	82,454	-	82,454
Loss for the period	-	-	-	-	(10,686)	(10,686)	-	(10,686)
Other comprehensive income:								
Exchange differences on translating foreign operations	-	-	-	174	-	174	-	174
Total comprehensive income for the period	-	-	-	174	(10,686)	(10,512)	-	(10,512)
Transactions with owners:								
Issue of placing shares	23,136	-	-	-	-	23,136	-	23,136
Transaction costs attributable to issue of placing shares	(1,554)	-	-	-	-	(1,554)	-	(1,554)
Forfeited share options	-	-	(3)	-	3	-	-	-
At 31 March 2019	144,480	(1,357)	377	(9)	(49,967)	93,524	-	93,524

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Loco Hong Kong Holdings Limited (the “Company”) is a limited liability company incorporated in Hong Kong. Its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of its registered office and principal place of business is Unit 401, 4/F., Fairmont House, 8 Cotton Tree Drive, Admiralty, Hong Kong.

The Company and its subsidiaries (collectively the “Group”) are principally engaged in trading of metal and commodity forward contracts and provision of money lending services, which are conducted in Hong Kong.

The condensed consolidated financial statements of the Group for the three months ended 31 March 2019 were authorised for issue by the Directors on 14 May 2019.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These condensed consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (hereinafter collectively referred to as the “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure provisions of the GEM Listing Rules.

These condensed consolidated financial statements do not include all the information and disclosures required in a full set of financial statements prepared in accordance with HKFRSs, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2018 (the “2018 annual financial statements”).

These condensed consolidated financial statements have been prepared with the same accounting policies adopted in the 2018 annual financial statements, except for those that relate to new or revised HKFRSs effective for the first time for periods beginning on or after 1 January 2019. The adoption of these new or revised HKFRSs has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements. The Group has not early adopted any other new or revised HKFRSs that has been issued but is not yet effective.

These condensed consolidated financial statements have not been audited but have been reviewed by the audit committee of the Company (the “Audit Committee”).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

3. FINANCE COSTS

	Unaudited Three months ended 31 March	
	2019 HK\$'000	2018 HK\$'000
Interests on bank loans and other borrowing	30	13
Interest on loan from a related company	273	235
Interest expenses on lease liabilities	55	–
<hr/>		
Total interest expenses	358	248
Bank charges	28	29
<hr/>		
	386	277

4. INCOME TAX EXPENSE

The amount of the income tax expense represents the following:

	Unaudited Three months ended 31 March	
	2019 HK\$'000	2018 HK\$'000
Current tax	–	221

Hong Kong Profits Tax is calculated at 16.5% (2018: 16.5%) on the estimated assessable profits for the period. No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Group incurred tax losses for the period.

Subsidiaries in the People's Republic of China ("PRC") are subject to PRC Enterprise Income tax at 25% (2018: 25%) on estimated assessable profits for the period. No provision for PRC Enterprise Income tax has been made in the condensed consolidated financial statements as the Group incurred tax losses for the period.

5. DIVIDENDS

The board of Directors (the "Board") does not recommend the payment of any dividend of the Company for the three months ended 31 March 2019 (2018: nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

6. LOSS PER SHARE

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

	Unaudited Three months ended 31 March	
	2019 HK\$'000	2018 HK\$'000
Loss for the purpose of basic loss per share	(10,686)	(2,324)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	516,436,667	480,170,000

For the three months ended 31 March 2019 and 31 March 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 shares of the Company for the period. Accordingly, the basic and diluted loss per share are the same.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group's principal activities were mainly divided into four categories include sales of metal, trading of electronic products, provision of merchandising support services and provision of money lending services in the year 2018. For the three months 31 March 2019, revenue were only contributed by sales of metal and provision of money lending services as the Group has disposed its businesses in trading of electronic products and merchandising support services during the year ended 31 December 2018.

Sales of metal business

During the three months ended 31 March 2019, the silver market price maintained at relatively low level, which adversely affected the overall silver supply in Hong Kong.

For the three months ended 31 March 2019, the Group recorded a revenue from sales of metal of approximately HK\$105.2 million (2018: HK\$424.0 million), which represented a decrease of approximately 75% when compared with the same period of 2018.

The Group processed approximately 45 tonnes (2018: 90 tonnes) of silver scrap for the three months ended 31 March 2019 of which represent decrease of 50% as compared with the same period of 2018. Revenue from sales of metal represent 100% (2018: 100%) from sale of silver products.

Provision of money lending services

One of the Group's subsidiaries has obtained a money lenders license (under Money Lenders Ordinance, Chapter 163 of the Law of Hong Kong) since the year 2017 and is lawfully engaged in provision of money lending services in Hong Kong. For the three months ended 31 March 2019, 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 March 2019, the amount of loan receivable from a customer is secured by a property in Hong Kong.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Outlook

For the coming future, the Group will continue to carry on sales 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.

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 three months ended 31 March 2019, the Group had a total income of approximately HK\$107.3 million (2018: HK\$441.0 million), representing a decrease of 76% as compared with the same period of 2018. The Group recorded loss of approximately HK\$10.7 million (2018: HK\$2.5 million) for the three months ended 31 March 2019. The increase in loss was mainly attributable to (i) a significant decrease in revenue of approximately 75% from sales of metal as discussed in the “Business Review” section; and (ii) increase in staff costs of approximately HK\$1.6 million and other operating expenses of approximately HK\$3.4 million, in particular professional fee incurred for new projects.

Placing of new shares under general mandate

The Company entered into a placing agreement dated 7 February 2019 with 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 placing shares of the Company at a placing price of HK\$0.241 per placing share.

The placing price represents (i) a discount of approximately 19.67% to the closing price of HK\$0.300 per share as quoted on the Stock Exchange on 4 February 2019, being the last trading day for the shares prior to the date of the placing agreement, and (ii) a discount of approximately 8.02% to the average closing price of approximately HK\$0.262 per share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the placing agreement.

The placing was completed on 25 February 2019 in accordance with the terms and conditions of the placing agreement 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 net proceeds from the placing was approximately HK\$21.6 million, which will be used for the general working capital of the Group.

Details are disclosed in the Company’s announcements dated 7 February 2019 and 25 February 2019.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Significant investments, acquisitions and disposals

There were no significant investment held as at 31 March 2019, nor other material acquisition and disposals of subsidiary during the period.

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 the Group as at 31 March 2019.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2019, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions

(a) Ordinary shares of the Company

Name of Directors/ Chief Executives	Nature of Interests	Number of shares	% of shareholding
Felipe Tan ("Mr. Tan")	Interest of a controlled corporation & beneficial owner	40,510,000 <i>(Note)</i>	7.03%

Note: Mr. Tan directly and indirectly owned 69.50% equity interests in GobiMin Inc. which held 100% equity interests in GobiMin Investments Limited, which in turn held 100% equity interests in GobiMin Silver Limited, the substantial shareholder of the Company. By virtue of the SFO, Mr. Tan, GobiMin Inc. and GobiMin Investments Limited are deemed to have interest in the 40,260,000 ordinary shares of the Company held by GobiMin Silver Limited. Mr. Tan was granted by the Company 250,000 share options on 10 April 2015 pursuant to the Company's option scheme.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

(Continued)

Long positions (Continued)

(b) Interests in shares of associated corporation of the Company

Name of Directors	Name of Associated Corporation	Nature of Interests	Number of shares	% of shareholding
Felipe Tan	Good Omen Investments Limited	Beneficial owner	100	100.00%
Felipe Tan	Belmont Holdings Group Limited	Interest of a controlled corporation & beneficial owner	10,205	100%
Felipe Tan	GobiMin Inc.	Interest of a controlled corporation & beneficial owner	34,689,000	69.50%
Felipe Tan	GobiMin Investments Limited	Interest of a controlled corporation	1,000	69.50%
Felipe Tan	GobiMin Silver Limited	Interest of a controlled corporation	1,000	69.50%

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

(Continued)

Long positions (Continued)

(c) Options to subscribe for ordinary shares of the Company

The Company adopted a share option scheme on 22 July 2014 ("Share Option Scheme"). Particulars of the directors' interests in Share Options Scheme were as follows:

Name of Directors	Grant Date	Exercise price per share HK\$	Exercise period	Number of share options and underlying shares					Outstanding as at 31.3.2019
				Outstanding as at 1.1.2019	Granted	Exercised	Cancelled	Lapsed	
Felipe Tan	10.4.2015	0.78	10.4.2015 – 9.4.2025	250,000	-	-	-	-	250,000
Tsang Wai Chun Marianna	10.4.2015	0.78	10.4.2015 – 9.4.2025	80,000	-	-	-	-	80,000
				330,000	-	-	-	-	330,000

Short Positions

As at 31 March 2019, no short positions of Directors or chief executives in the shares of the Company and its associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2019, the following persons/entities (other than the Directors and chief executives of the Company as disclosed above) have interest or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Long Positions

Name	Nature of Interests	Number of ordinary shares	% of shareholding
Hon Pok	Beneficial owner	76,000,000	13.19%
Chu Fong	Beneficial owner	46,000,000	7.98%
Lin Chenchen	Beneficial owner	45,000,000	7.81%
Belmont Holdings Group Limited	Interest of a controlled corporation	40,260,000	6.98%
GobiMin Inc.	Interest of a controlled corporation	40,260,000	6.98%
GobiMin Silver Limited	Beneficial owner	40,260,000	6.98%
Good Omen Investments Limited	Interest of a controlled corporation	40,260,000	6.98%

Save as disclosed above, no other interests or short positions of any persons/entities (other than the Directors and the chief executives of the Company) in the shares or underlying shares of the Company were recorded in the register or as otherwise notified to the Company and the Stock Exchange as at 31 March 2019.

SHARE OPTIONS

A summary of the share options granted under the Scheme are as follows:

Type of Participants	Grant Date	Exercise Price per Share HK\$	Exercise Period	Number of Share Options and Underlying Shares					Outstanding as at 31.3.2019
				Outstanding as at 1.1.2019	Granted	Exercised	Cancelled	Lapsed	
Directors	10.4.2015	0.78	10.4.2015 – 9.4.2025	330,000	-	-	-	-	330,000
Employees	10.4.2015	0.78	10.4.2015 – 9.4.2025	730,000	-	-	-	-	730,000
Others	10.4.2015	0.78	10.4.2015 – 9.4.2025	130,000	-	-	-	(10,000)	120,000
-----				1,190,000	-	-	-	(10,000)	1,180,000

The fair value of equity-settled share options granted during the year ended 31 December 2015 was HK\$0.319 per option, amounted to approximately HK\$520,000 in aggregate. It was estimated as at 10 April 2015, being the date of grant, using the Black-Scholes Option Pricing Model and taking into account the terms and conditions upon which the options were granted. The significant assumptions and inputs used in the estimation of the fair value are as follows:

Share price at date of grant	HK\$0.78
Annualised volatility	45.90%
Risk-free interest rate	1.09%
Dividend yield	0%
Expected life of option	5 years
Exercise price	HK\$0.78

The expected life of the options may not be necessarily indicative of the exercise pattern that may occur. The expected volatility reflects the assumption that the historical volatility of comparable companies are indicative of future trends, which may also not necessarily be the actual outcome.

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

During the three months ended 31 March 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPETITION AND CONFLICT OF INTEREST

Apart from the business of the Group, as at 31 March 2019, Mr. Tan is also engaged in the other businesses including directly and indirectly owned equity interests in (i) GobiMin Inc. ("GobiMin"), the shares of which are listed on the TSX Venture Exchange in Canada. GobiMin and its subsidiaries ("GobiMin Group") are engaged in the investment in equity, debt or other securities as well as direct ownership stakes in projects, including the development of mineral properties, mainly in Xinjiang, the PRC; and (ii) Timeless Software Limited ("Timeless"), the shares of which are listed on GEM of the Stock Exchange. Timeless and its subsidiaries are principally engaged in the information technology business and mining business.

The Directors believe that the investments referred above are in completely different sectors from that of the Group and therefore do not and will not compete with the business of the Group. The Group is mainly engaged in the trading of metal in Hong Kong, while GobiMin Group is involved in upstream activities of exploration and mining which involve entirely different technologies, machinery and expertise. Accordingly, the Group and GobiMin Group are positioned in different specialized segments of the industry. The products of GobiMin Group may be similar with that of the Group such as gold, but the market of GobiMin Group is in the PRC while the Group is in Hong Kong and overseas (excluding the PRC) and as such, our Directors consider that there is no overlapping in respect of the market between GobiMin Group and the Group. Furthermore, Timeless is involved in the information technology sector and mining business which is entirely different from our metal processing and trading business.

Apart from those investments disclosed above, to the best knowledge of the Directors, none of the Directors, management, shareholders or substantial shareholders of the Company or any of its respective associates has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, as defined in the GEM Listing Rules, or has any other conflict of interests with the Group during the three months ended 31 March 2019.

AUDIT COMMITTEE

The Company established the Audit Committee on 22 July 2014 with written terms of reference that was amended and adopted with effect from 2 January 2019 in compliance with paragraph C.3 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The duties of the Audit Committee include reviewing, in draft form, our annual report and accounts, half-yearly report and quarterly report and providing advice and comments to the Board. In this regard, members of the Audit Committee will liaise with the Board, our senior management and auditors. The Audit Committee will also consider any significant or usual items that are, or may need to be, reflected in such reports and accounts and give consideration to any matters that have been raised by our accounting staff, compliance officers or auditors. Members of the Audit Committee are also responsible for reviewing our Company's financial reporting process, risk management and internal control systems. As at the date of this report, the Audit Committee comprises five independent non-executive Directors namely Mr. Zhou Tianshu (chairman), Mr. Lau Yuen Sun Adrian, Ms. Wong Susan Chui San, Ms. Wu Liyan and Ms. Tsang Wai Chun Marianna.

The Audit Committee has reviewed this quarterly report, including the condensed consolidated financial statements of the Group for the three months ended 31 March 2019, prior to recommending them to the Board for approval.

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

Hong Kong, 14 May 2019

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