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

*(incorporated in Hong Kong with limited liability)*

**(Stock Code: 8162)**

**INTERIM RESULTS ANNOUNCEMENT**  
**FOR THE SIX MONTHS ENDED 30 JUNE 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.**

*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](http://www.hkgem.com) for at least seven days from the date of its posting and on the Company’s website at [www.locohkholdings.com](http://www.locohkholdings.com).*

The board of Directors (the “Board”) hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months and six months ended 30 June 2019, together with the comparative unaudited figures for the corresponding periods in 2018, as follows:

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Note</i>	Unaudited			
		Six months ended 30 June		Three months ended 30 June	
		2019	2018	2019	2018
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>					
– Sales of metal		179,976	858,165	74,798	434,158
– Sales of electronic products		–	13,011	–	–
– Merchandising support services		–	1,039	–	629
– Interest income from customers and suppliers		4,798	3,604	2,323	1,757
– Processing fee		211	–	31	–
– Order commission		19	5	9	2
		-----	-----	-----	-----
		<b>185,004</b>	875,824	<b>77,161</b>	436,546
Trading (losses)/gains on commodity forward contracts		(2,719)	819	(2,009)	(796)
Other income		203	187	81	100
		-----	-----	-----	-----
<b>Total income</b>		<b>182,488</b>	876,830	<b>75,233</b>	435,850
Carrying value of inventories sold		(179,694)	(865,316)	(74,242)	(430,230)
Employee costs		(10,290)	(8,900)	(4,445)	(4,659)
Depreciation		(1,638)	(936)	(872)	(437)
Rental expenses		(588)	(2,949)	(294)	(1,541)
Loss on disposal of property, plant and equipment		(16)	–	(3)	–
Other operating expenses		(7,183)	(5,578)	(1,998)	(3,832)
Share of profits/(losses) of associates		4	(2)	4	–
Finance costs		(767)	(565)	(381)	(288)
		-----	-----	-----	-----
Loss before income tax expense		(17,684)	(7,416)	(6,998)	(5,137)
Income tax expense	5	–	(285)	–	(64)
		-----	-----	-----	-----
<b>Loss for the period</b>		<b>(17,684)</b>	(7,701)	<b>(6,998)</b>	(5,201)
<b>Loss for the period attributable to:</b>					
– Owners of the Company		(17,684)	(7,464)	(6,998)	(5,140)
– Non-controlling interests		–	(237)	–	(61)
		-----	-----	-----	-----
		<b>(17,684)</b>	(7,701)	<b>(6,998)</b>	(5,201)
		=====	=====	=====	=====

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
(CONTINUED)**

		Unaudited			
		Six months ended 30 June		Three months ended 30 June	
		2019	2018	2019	2018
Note		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>Loss for the period</b>	<b>(17,684)</b>	(7,701)	<b>(6,998)</b>	(5,201)
	<b>Other comprehensive income</b>				
	Item that may be reclassified subsequently to profit or loss:				
	Exchange differences on translating foreign operations	<u>193</u>	<u>(644)</u>	<u>19</u>	<u>(2,138)</u>
	<b>Total comprehensive income for the period</b>	<b><u>(17,491)</u></b>	<b><u>(8,345)</u></b>	<b><u>(6,979)</u></b>	<b><u>(7,339)</u></b>
	<b>Total comprehensive income for the period attributable to:</b>				
	– Owners of the Company	(17,493)	(8,083)	(6,981)	(7,171)
	– Non-controlling interests	<u>2</u>	<u>(262)</u>	<u>2</u>	<u>(168)</u>
		<b><u>(17,491)</u></b>	<b><u>(8,345)</u></b>	<b><u>(6,979)</u></b>	<b><u>(7,339)</u></b>
		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
	<b>Basic and diluted loss per share</b>	<b><u>(3.24)</u></b>	<b><u>(1.55)</u></b>	<b><u>(1.21)</u></b>	<b><u>(1.07)</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited 30 June 2019 <i>HK\$'000</i>	Audited 31 December 2018 <i>HK\$'000</i>
	<i>Note</i>		
<b>Non-current assets</b>			
Property, plant and equipment		3,636	1,241
Right-of-use assets		3,676	–
Interest in an associate	8	8,004	–
Other financial assets	9	20,420	5,000
		35,736	6,241
<b>Current assets</b>			
Inventories		1,643	41,972
Trade and other receivables, deposits and prepayments	10	24,622	23,926
Loan receivable		7,513	7,513
Derivative financial assets		252	6,889
Tax recoverable		277	277
Cash and cash equivalents		51,950	82,288
		86,257	162,865
<b>Current liabilities</b>			
Other payables, accruals and deposits received		19,823	51,183
Borrowing		–	4,100
Derivative financial liabilities		279	1
Amounts due to related companies		–	4,173
Loan from a related company		10,960	27,195
Lease liabilities		1,927	–
		32,989	86,652
<b>Net current assets</b>		53,268	76,213
<b>Total assets less current liabilities</b>		89,004	82,454
<b>Non-current liabilities</b>			
Lease liabilities		1,950	–
<b>Net assets</b>		87,054	82,454
<b>Equity</b>			
Share capital		144,480	122,898
Reserves		(57,937)	(40,444)
<b>Equity attributable to the owners of the Company</b>		86,543	82,454
<b>Non-controlling interests</b>		511	–
<b>Total equity</b>		87,054	82,454

# 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 interim financial statements of the Group for the six months ended 30 June 2019 were authorised for issue by the Directors on 7 August 2019.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure provisions of the GEM Listing Rules.

The preparations of these condensed consolidated interim financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

These condensed consolidated interim financial statements do not include all the information and disclosures required in a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“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 interim financial statements have been prepared with the same accounting policies adopted in the 2018 annual financial statements, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2019. This is the first set of the Group’s financial statements in which HKFRS 16 have been adopted. Details of any changes in accounting policies are set out in note 3. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

These condensed consolidated interim 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)

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

The financial information relating to the year ended 31 December 2018 included in these condensed consolidated interim financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year 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 2018 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.
- The Company's auditor has reported on the financial statements for the year ended 31 December 2018. The auditor's report was unqualified; did not include a reference to any matter to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

## 3. CHANGES IN HKFRSs

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

- HKFRS 16, *Leases*
- HK(IFRIC)-Int 23, *Uncertainty over Income Tax Treatments*
- Amendments to HKFRS 9, *Prepayment Features and Negative Compensation*
- Amendments to HKAS 19, *Plan Amendment, Curtailment or Settlement*
- Amendments to HKAS 28, *Long-term Interests in Associates and Joint Ventures*
- Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 included in Annual Improvements to HKFRSs 2015-2017 Cycle

The impact of the adoption of HKFRS 16 Leases have been summarised in below. The other new or amended HKFRSs that are effective from 1 January 2019 did not have any significant impact on the Group's accounting policies.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 3. CHANGES IN HKFRSs (Continued)

### (a) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the statement of financial position as a right-of-use assets and a lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted as allowed under HKFRS 16, please refer to section (b) to (d) of this note.

The Group has applied HKFRS 16 using the cumulative effect approach and recognised the right-of-use asset at the amount equal to the lease liability, adjusted by the amount of any prepayments or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The following tables summarised the impact of transition to HKFRS 16 on consolidated statement of financial position as of 31 December 2018 to that of 1 January 2019 as follows (increase/(decrease)):

	<i>HK\$'000</i>
<b>Assets</b>	
Right-of-use assets	4,623
	<u>4,623</u>
<b>Liabilities</b>	
Other payables and accruals	(200)
Lease liabilities	4,823
	<u>4,623</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 3. CHANGES IN HKFRSs (Continued)

### (a) Impact of the adoption of HKFRS 16 (Continued)

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 31 December 2018 could be reconciled to the lease liabilities at the date of initial application recognised in the statement of financial position as at 1 January 2019:

	<i>HK\$'000</i>
Operating lease commitments at 31 December 2018	6,082
<i>Less:</i> future interest expenses	(301)
<i>Less:</i> Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019 and low-value assets	<u>(958)</u>
Lease liabilities as at 1 January 2019	<u><u>4,823</u></u>

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position as at 1 January 2019 is 4.78%.

### (b) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified assets for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified assets and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group has elected not to separate non-lease components and account for all each lease component and any associated non-lease components as a single lease component for all leases in which the Group is a lessee.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 3. CHANGES IN HKFRSs (Continued)

### (c) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets (the Group has leased small office spaces and photocopying machines) and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the date of adoption of HKFRS 16, i.e. 1 January 2019.

#### ***Right-of-use asset***

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-of-use asset at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 3. CHANGES IN HKFRSs (Continued)

### (c) Accounting as a lessee (Continued)

#### *Lease liability*

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g. a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the substance fixed lease payments or a change in assessment to purchase the underlying asset.

### (d) Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised the right-of-use asset at the amount equal to the lease liability, adjusted by the amount of any prepayments or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 January 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019.

The Group has elected to recognise all the right-of-use assets at 1 January 2019 for leases previously classified operating leases under HKAS 17 as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application. For all these right-of-use assets, the Group has applied HKAS 36 Impairment of Assets at 1 January 2019 to assess if there was any impairment as on that date.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 3. CHANGES IN HKFRSs (Continued)

### (d) Transition (Continued)

The Group has also applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 January 2019; and (iii) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease; and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int4.

## 4. OPERATING SEGMENTS INFORMATION

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 period, the Group has two reportable segments. The segments are managed separately as each business offers different products and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- Trading of metal – Sales of metal and interest income from forward arrangements in Hong Kong.
- Money lending – Provision of money lending service in Hong Kong.

### (a) Business segments

	<b>Trading of metal HK\$'000</b>	<b>Unaudited Money lending HK\$'000</b>	<b>Total HK\$'000</b>
<b>Six months ended 30 June 2019</b>			
Reportable segment revenue ( <i>note (i)</i> )	<u>184,695</u>	<u>309</u>	<u>185,004</u>
Reportable segment (loss)/profit	<u>(9,266)</u>	<u>200</u>	<u>(9,066)</u>
<b>As at 30 June 2019</b>			
Reportable segment assets	<u>64,643</u>	<u>8,178</u>	<u>72,821</u>
Reportable segment liabilities	<u>31,358</u>	<u>–</u>	<u>31,358</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 4. OPERATING SEGMENTS INFORMATION (Continued)

### (a) Business segments (Continued)

	Trading of metal <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Unaudited Merchandising support services <i>HK\$'000</i> <i>(note (ii))</i>	Trading of electronic products <i>HK\$'000</i> <i>(note (iii))</i>	Total <i>HK\$'000</i>
<b>Six months ended 30 June 2018</b>					
Reportable segment revenue <i>(note (i))</i>	<u>861,525</u>	<u>249</u>	<u>1,039</u>	<u>13,011</u>	<u>875,824</u>
Reportable segment profit	<u>1,999</u>	<u>164</u>	<u>33</u>	<u>441</u>	<u>2,637</u>
<b>As at 31 December 2018 (Audited)</b>					
Reportable segment assets	123,043	9,380	–	–	132,423
Reportable segment liabilities	<u>80,216</u>	<u>58</u>	<u>–</u>	<u>–</u>	<u>80,274</u>

*Notes:*

- (i) There is no inter-segment revenue for the period.
- (ii) This segment is deemed to be disposed of on 30 June 2018.
- (iii) This segment is discontinued and disposed of on 4 December 2018.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 4. OPERATING SEGMENTS INFORMATION (Continued)

### (b) Reconciliation of reportable segment results

	Unaudited	
	Six months ended 30 June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Reportable segment (loss)/profit	(9,066)	2,637
Depreciation	(889)	(637)
Interest expenses	(109)	–
Employee costs	(4,718)	(4,969)
Loss on disposal of property, plant and equipment	(16)	–
Rental expenses	(198)	(1,854)
Other unallocated corporate expenses	(2,688)	(2,593)
	<u>(17,684)</u>	<u>(7,416)</u>
Loss before income tax expense	<u>(17,684)</u>	<u>(7,416)</u>

### (c) Disaggregation of revenue

	Unaudited									
	Six months ended 30 June									
	Trading of metal		Money lending		Merchandising support services		Trading of electronic products		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Primary geographical markets										
Singapore	60,310	463,299	–	–	–	–	–	–	60,310	463,299
Hong Kong	62,266	256,444	309	249	–	–	–	–	62,575	256,693
Australia	15,498	58,028	–	–	–	–	–	–	15,498	58,028
Japan	46,580	83,736	–	–	–	–	–	–	46,580	83,736
PRC (exclude Hong Kong)	41	18	–	–	–	1,039	–	13,011	41	14,068
	<u>184,695</u>	<u>861,525</u>	<u>309</u>	<u>249</u>	<u>–</u>	<u>1,039</u>	<u>–</u>	<u>13,011</u>	<u>185,004</u>	<u>875,824</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 5. INCOME TAX EXPENSE

The amount of the income tax expense represents the following:

	Unaudited			
	Six months ended 30 June		Three months ended 30 June	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax	-	285	-	64

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 interim 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 interim financial statements as the Group incurred tax losses for the period.

## 6. DIVIDENDS

The Board does not recommend the payment of any dividend of the Company for the six months ended 30 June 2019 (2018: nil).

## 7. LOSS PER SHARE

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

	Unaudited			
	Six months ended 30 June		Three months ended 30 June	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the purpose of basic loss per share	<u>(17,684)</u>	<u>(7,464)</u>	<u>(6,998)</u>	<u>(5,140)</u>
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>546,468,343</u>	<u>480,170,000</u>	<u>576,170,000</u>	<u>480,170,000</u>

For the three months and six months ended 30 June 2019 and 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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 8. INTEREST IN AN ASSOCIATE

	Unaudited 30 June 2019 HK\$'000	Audited 31 December 2018 HK\$'000
Share of net assets	<u>8,004</u>	<u>–</u>

Investment in an associate is accounted for using the equity method in the condensed consolidated interim financial statements.

Details of the Group's associate is as follow:

Name	Particulars of issued shares held	Place of incorporation and operation and principal activity	Percentage of equity interest attributable to the Group
Loco Precious Metal Limited	Ordinary shares	Metal and commodity forward contracts trading in Hong Kong	40%

On 7 May 2019, an inactive wholly-owned subsidiary of the Group, Loco Precious Metal Limited ("LPM") allotted and issued a total of 19,990,000 fully paid new shares at price of HK\$1 per share. 7,990,000 shares were allotted to the Group and 12,000,000 shares were allotted to an independent third party. As a result, the issued shares of LPM was increased to 20,000,000 shares and the Group held 8,000,000 shares, representing 40% equity interest in LPM.

The Group ceased to has the control over LPM, however, the Group still has significant influence over LPM and thus is accounted for as an associate since 7 May 2019.

During the six months ended 30 June 2019, the Group shared the profit of the associate of approximately HK\$4,000.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 9. OTHER FINANCIAL ASSETS

	Unaudited 30 June 2019 <i>HK\$'000</i>	Audited 31 December 2018 <i>HK\$'000</i>
Financial assets at fair value through profit or loss		
– Unlisted equity securities	<u>20,420</u>	<u>5,000</u>

The unlisted equity securities as at 30 June 2019 mainly comprise shares in Grand Max Enterprises Limited (“Grand Max”) and Lexus Group (Asia) Limited (“Lexus Group”), both incorporated in Hong Kong. As at 30 June 2019, the Group held 16.67% and 18% of the share capital of Grand Max and Lexus Group respectively.

The unlisted equity securities as at 31 December 2018 are shares in Grand Max. As at 31 December 2018, the Group held 7.4% of the share capital of Grand Max.

On 30 April 2019, the Group acquired 7,920,000 shares of Lexus Group, representing 18% equity interest in Lexus Group at consideration of HK\$7,920,000. Lexus Group is principally engaged in trading of silver and tin.

On 16 May 2019, the Group acquired further 1,200 new shares of Grand Max, representing 10% equity interest in Grand Max at consideration of HK\$7,500,000. As a result, the Group held 2,000 shares, representing 16.67% equity interest in Grand Max. Grand Max is currently investing in some innovative technology projects.

## 10. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Unaudited 30 June 2019 <i>HK\$'000</i>	Audited 31 December 2018 <i>HK\$'000</i>
Loan interest receivable	587	279
Deposits for commodity forward contracts	22,780	22,547
Other receivables, deposits and prepayments	<u>1,255</u>	<u>1,100</u>
	<u>24,622</u>	<u>23,926</u>

# 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 six months ended 30 June 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 six months ended 30 June 2019, the silver market price maintained at relatively low level, which adversely affected the overall silver supply in Hong Kong.

For the six months ended 30 June 2019, the Group recorded a revenue from sales of metal of approximately HK\$180.0 million (2018: HK\$858.2 million), which represented a decrease of approximately 79% when compared with the same period of 2018.

The Group processed approximately 47 tonnes (2018: 195 tonnes) of silver scrap for the six months ended 30 June 2019 of which represent decrease of approximately 76% as compared with the same period of 2018. Revenue from sales of metal represent 99% (2018: 100%) from sale of silver products and the remaining were sale of gold.

### ***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 six months ended 30 June 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 30 June 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 Group as we encountered in the past few years, the Group 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 six months ended 30 June 2019, the Group had a total income of approximately HK\$185.0 million (2018: HK\$875.8 million), representing a decrease of 79% as compared with the same period of 2018. The Group recorded loss of approximately HK\$17.7 million (2018: HK\$7.7 million) for the six months ended 30 June 2019. The increase in loss was mainly attributable to (i) a significant decrease in revenue of approximately 79% from sales of metal as discussed in the “Business Review” section; (ii) increase in staff costs of approximately HK\$1.4 million and other operating expenses of approximately HK\$1.6 million, in particular professional fee incurred for new projects; and (iii) trading losses on commodity forward contracts of approximately HK\$2.7 million (2018: trading gains of HK\$0.8 million) recorded for the period.

### **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 places 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.

## **MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

### **Placing of new shares under general mandate (Continued)**

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.

### **Capital Structure, Liquidity and Financial Resources**

As at 30 June 2019, the Group had cash and bank balances of approximately HK\$52.0 million (31 December 2018: HK\$82.3 million) and net current assets of approximately HK\$53.3 million (31 December 2018: HK\$76.2 million). As at 30 June 2019, the current ratio stood at 2.61 times (31 December 2018: 1.88 times).

The Group generally finances its operations primarily with internally generated cash and loan from a related company.

As at 30 June 2019, the Group had loan from a related company amounting to HK\$11.0 million (31 December 2018: HK\$27.2 million).

As at 30 June 2019, no banking facilities were granted to the Group (31 December 2018: nil). The Directors believed that the Group has adequate financial resources to fulfill its commitments and working capital requirements.

### **Gearing ratio**

As at 30 June 2019, the gearing ratio of the Group, calculated as debt (being loan from a related company and lease liabilities) divided by total equity was approximately 0.17 (31 December 2018: 0.38).

### **Charge on the Group's assets**

As at 30 June 2019, no Group's asset was pledged as security.

## **MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

### **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.

### **Significant investments, acquisitions and disposals**

Save as disclosed in notes 8 and 9 to the condensed consolidated financial statements in relation to investments in LPM, Grand Max and Lexus Group, there were no significant investment held as at 30 June 2019, nor other material acquisition and disposal of subsidiary during the six months ended 30 June 2019.

### **Capital commitment**

As at 30 June 2019, the Group did not have any significant capital commitment.

### **Foreign Exchange Exposure**

Our sales, purchase and borrowings are predominantly denominated in United States dollars (“US\$”) and Renminbi (“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 30 June 2019 and there has not been any material change in the contingent liabilities of the Group since 30 June 2019.

### **Employees and remuneration policy**

As at 30 June 2019, the Group employed a total of 26 staff. The total of employee remuneration, including remuneration of the Directors, for the six months ended 30 June 2019 amounted to approximately HK\$10.3 million.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Employees and remuneration policy (Continued)

Staff remuneration is reviewed by the Group from time to time and raises are granted normally annually or by special adjustment depending on the length of service and performance when warranted. In addition to salaries, the Group provides staff benefits including medical 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.

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

As at 30 June 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 Director/ Chief Executive	Nature of Interests	Number of shares	% of shareholding
Felipe Tan ("Mr. Tan")	Interest of a controlled corporation & beneficial owner	40,510,000 (Note)	7.03%

#### Notes:

- (i) Mr. Tan directly and indirectly owned 69.63% 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.
- (ii) Mr. Tan has resigned as an executive Director on 20 July 2019.

# 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	10,250	100.00%
Felipe Tan	GobiMin Inc.	Interest of a controlled corporation & beneficial owner	34,689,000	69.63%
Felipe Tan	GobiMin Investments Limited	Interest of a controlled corporation	1,000	69.63%
Felipe Tan	GobiMin Silver Limited	Interest of a controlled corporation	1,000	69.63%

### (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 30.6.2019
				Outstanding as at 1.1.2019	Granted	Exercised	Cancelled	Lapsed	
Felipe Tan ( <i>note (i)</i> )	10.4.2015	0.78	10.4.2015 – 9.4.2025	250,000	–	–	–	–	250,000
Tsang Wai Chun Marianna ( <i>note (ii)</i> )	10.4.2015	0.78	10.4.2015 – 9.4.2025	80,000	–	–	–	(80,000)	–
				330,000	–	–	–	(80,000)	250,000

Notes:

- (i) Mr. Felipe Tan has resigned as an executive Director on 20 July 2019.
- (ii) Ms. Tsang Wai Chun Marianna has resigned as an independent non-executive Director on 28 June 2019.

## Short Positions

As at 30 June 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 30 June 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:

<b>Name</b>	<b>Nature of Interests</b>	<b>Number of ordinary shares</b>	<b>% of Shareholding</b>
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 30 June 2019.

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

On 25 February 2019, the Company allotted and issued a total of 96,000,000 fully paid new shares by way of placing at a price of HK\$0.241 per share.

Save as disclosed above, 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 30 June 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 six months ended 30 June 2019.

## **AUDIT COMMITTEE AND REVIEW OF INTERIM FINANCIAL INFORMATION**

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 C.3 of the Code Provisions. 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 announcement, the Audit Committee comprises four independent non-executive Directors, namely Mr. Zhou Tianshu (Chairman), Mr. Lau Yuen Sun Adrian, Ms. Wong Susan Chui San and Ms. Wu Liyan.

## **AUDIT COMMITTEE AND REVIEW OF INTERIM FINANCIAL INFORMATION (CONTINUED)**

The Audit Committee has reviewed the interim results, including the condensed consolidated interim financial statements of the Group for the six months ended 30 June 2019, prior to recommending them to the Board for approval.

### **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

During the six months ended 30 June 2019, to the best knowledge of the Board, the Company 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”), save for the deviation from A.2.1 of the Code Provisions as explained below.

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 gradually. 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. Accordingly, the Company has not segregated the roles of the chairman and chief executive officer as required by A.2.1 of the Code Provisions.

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

Hong Kong, 7 August 2019

*As at the date of this announcement, the executive Directors are Mr. Wang Wendong, Mr. Fung Chi Kin and Mr. Zhu Hongguang; and the independent non-executive Directors are Mr. Lau Yuen Sun Adrian, Ms. Wong Susan Chui San, Mr. Zhou Tianshu and Ms. Wu Liyan.*