

Loco Hong Kong Holdings Limited

港銀控股有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 8162)



Interim
Report

◦
2019



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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.

CORPORATE INFORMATION

Directors

Executive Directors

Mr. Wang Wendong
(Chairman and Chief Executive Officer)
Mr. Fung Chi Kin
Mr. Zhu Hongguang

Independent Non-Executive Directors

Mr. Lau Yuen Sun Adrian
Ms. Wong Susan Chui San
Mr. Zhou Tianshu
Ms. Wu Liyan

Audit Committee

Mr. Zhou Tianshu *(Chairman)*
Mr. Lau Yuen Sun Adrian
Ms. Wong Susan Chui San
Ms. Wu Liyan

Executive Committee

Mr. Wang Wendong *(Chairman)*
Mr. Fung Chi Kin
Mr. Zhu Hongguang
Mr. Kwan Fai

Remuneration Committee

Ms. Wu Liyan *(Chairlady)*
Mr. Wang Wendong
Mr. Lau Yuen Sun Adrian
Ms. Wong Susan Chui San
Mr. Zhou Tianshu

Nomination Committee

Mr. Wang Wendong *(Chairman)*
Mr. Zhu Hongguang
Mr. Lau Yuen Sun Adrian
Ms. Wu Liyan

Company Secretary

Mr. Kwan Fai

Compliance Officer

Mr. Zhu Hongguang

Auditor

Crowe (HK) CPA Limited

Share Registrar and Transfer Office

Union Registrars Limited

Registered Office

Unit 401, 4/F., Fairmont House,
8 Cotton Tree Drive, Admiralty, Hong Kong

Listing

GEM of The Stock Exchange of Hong Kong
Limited

Stock Code

8162

Authorised Representatives to the Stock Exchange

Mr. Wang Wendong
Mr. Kwan Fai

Website

www.locohkholdings.com

Email

info@locohkholdings.com

The board of Directors (the “Board”) presents the unaudited condensed consolidated interim financial statements 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

	Note	Unaudited			
		Six months ended		Three months ended	
		30 June		30 June	
		2019	2018	2019	2018
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue					
– 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
		185,004	875,824	77,161	436,546
Trading (losses)/gains on commodity forward contracts		(2,719)	819	(2,009)	(796)
Other income		203	187	81	100
		182,488	876,830	75,233	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	6	(767)	(565)	(381)	(288)
		(17,684)	(7,416)	(6,998)	(5,137)
Loss before income tax expense		(17,684)	(7,416)	(6,998)	(5,137)
Income tax expense	7	–	(285)	–	(64)
		(17,684)	(7,701)	(6,998)	(5,201)
Loss for the period		(17,684)	(7,701)	(6,998)	(5,201)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

	Note	Unaudited		Unaudited	
		Six months ended 30 June	2018 HK\$'000	Three months ended 30 June	2018 HK\$'000
		2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Loss for the period attributable to:					
– Owners of the Company		(17,684)	(7,464)	(6,998)	(5,140)
– Non-controlling interests		–	(237)	–	(61)
		(17,684)	(7,701)	(6,998)	(5,201)
Loss for the period		(17,684)	(7,701)	(6,998)	(5,201)
Other comprehensive income					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		193	(644)	19	(2,138)
Total comprehensive income for the period		(17,491)	(8,345)	(6,979)	(7,339)
Total comprehensive income for the period attributable to:					
– Owners of the Company		(17,493)	(8,083)	(6,981)	(7,171)
– Non-controlling interests		2	(262)	2	(168)
		(17,491)	(8,345)	(6,979)	(7,339)
		HK cents	HK cents	HK cents	HK cents
Basic and diluted loss per share	9	(3.24)	(1.55)	(1.21)	(1.07)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Unaudited 30 June 2019 HK\$'000	Audited 31 December 2018 HK\$'000
Non-current assets			
Property, plant and equipment		3,636	1,241
Right-of-use assets		3,676	–
Interest in an associate	10	8,004	–
Other financial assets	11	20,420	5,000
		35,736	6,241
Current assets			
Inventories		1,643	41,972
Trade and other receivables, deposits and prepayments	12	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
Current liabilities			
Other payables, accruals and deposits received	13	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
Net current assets		53,268	76,213
Total assets less current liabilities		89,004	82,454
Non-current liabilities			
Lease liabilities		1,950	–
Net assets		87,054	82,454
Equity			
Share capital		144,480	122,898
Reserves		(57,937)	(40,444)
Equity attributable to the owners of the Company		86,543	82,454
Non-controlling interests		511	–
Total equity		87,054	82,454

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited							
	Share capital HK\$'000	Merger reserve HK\$'000	Share option reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Equity attributable to owners of the Company HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2018	122,898	(1,357)	380	2,335	(11,441)	112,815	(145)	112,670
Loss for the period	-	-	-	-	(7,464)	(7,464)	(237)	(7,701)
Other comprehensive income:								
Exchange differences on translating foreign operations	-	-	-	(619)	-	(619)	(25)	(644)
Total comprehensive income for the period	-	-	-	(619)	(7,464)	(8,083)	(262)	(8,345)
Transactions with owners:								
Capital injection by non-controlling interest	-	-	-	-	-	-	2,364	2,364
Deemed disposal of a subsidiary	-	-	-	1	(1)	-	(2,379)	(2,379)
At 30 June 2018	122,898	(1,357)	380	1,717	(18,906)	104,732	(422)	104,310
At 1 January 2019	122,898	(1,357)	380	(183)	(39,284)	82,454	-	82,454
Loss for the period	-	-	-	-	(17,684)	(17,684)	-	(17,684)
Other comprehensive income:								
Exchange differences on translating foreign operations	-	-	-	191	-	191	2	193
Total comprehensive income for the period	-	-	-	191	(17,684)	(17,493)	2	(17,491)
Transactions with owners:								
Capital injection by non-controlling interest	-	-	-	-	-	-	509	509
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	-	-	(118)	-	118	-	-	-
At 30 June 2019	144,480	(1,357)	262	8	(56,850)	86,543	511	87,054

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Operating activities		
Cash receipts from customers	180,187	871,165
Cash paid to suppliers	(139,365)	(792,988)
Other cash flows arising from operating activities	(40,835)	(14,736)
Net cash (used in)/generated from operating activities	(13)	63,441
Investing activities		
Payment for the purchase of property, plant and equipment	(3,104)	(59)
Investment in an associate	(7,990)	(4,729)
Deposit paid for a potential investment	–	(2,900)
Bank deposit with maturity over three months	–	(30,000)
Deposit received	–	30,000
Investment in financial assets at fair value through profit or loss	(15,420)	(5,000)
Other cash flows arising from investing activities	95	7
Net cash used in investing activities	(26,419)	(12,681)
Financing activities		
Proceed from issue of placing shares	23,136	–
Issuance cost attributable to issue of placing shares	(1,554)	–
Advance from directors	–	109
Repayment of loan from a related company	(16,235)	–
Repayment of advance from related companies	(4,173)	(21,266)
Repayment of borrowing	(4,100)	–
Capital Injection by non-controlling interest	509	2,364
Advance from non-controlling interest	–	2,365
Payment of loan interest	(621)	(519)
Payment of lease liabilities and interest	(1,051)	–
Net cash used in financing activities	(4,089)	(16,947)
Net (decrease)/increase in cash and cash equivalents	(30,521)	33,813
Effect of foreign exchange rate changes	183	(703)
Cash and cash equivalents at beginning of period	82,288	46,630
Cash and cash equivalents at end of period	51,950	79,740
Analysis of balances of cash and cash equivalents		
Cash and bank balances	51,950	79,740

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)):

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

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:

	HK\$'000
Operating lease commitments at 31 December 2018	6,082
Less: future interest expenses	(301)
Less: 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	(958)
Lease liabilities as at 1 January 2019	4,823

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 in substance fixed lease payments or a change in assessment to purchase the underlying asset.

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

3. CHANGES IN HKFRSs *(Continued)*

(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.

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.

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

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing this condensed consolidated interim financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2018 annual financial statements, except for new significant judgements and key sources of estimation uncertainty related to the application of HKFRS 16 as described in note 3.

5. 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. OPERATING SEGMENTS INFORMATION (Continued)

(a) Business segments

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

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

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)*

5. OPERATING SEGMENTS INFORMATION *(Continued)*

(b) Reconciliation of reportable segment results

	Unaudited Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
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)
Loss before income tax expense	(17,684)	(7,416)

(c) Disaggregation of revenue

	Unaudited Six months ended 30 June									
	Trading of metal		Money lending		Merchandising support services		Trading of electronic products		Total	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
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
	184,695	861,525	309	249	–	1,039	–	13,011	185,004	875,824

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. FINANCE COSTS

	Unaudited			
	Six months ended 30 June		Three months ended 30 June	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Interests on bank loans and other borrowing	30	47	–	34
Interests on loan from a related company	591	472	318	237
Interest expenses on lease liabilities	105	–	50	–
Total interest expenses	726	519	368	271
Bank charges	41	46	13	17
	767	565	381	288

7. 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 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 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.

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

8. DIVIDENDS

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

9. 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 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Loss for the purpose of basic loss per share	(17,684)	(7,464)	(6,998)	(5,140)
Weighted average number of ordinary shares for the purpose of basic loss per share	546,468,343	480,170,000	576,170,000	480,170,000

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)*

10. INTEREST IN AN ASSOCIATE

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

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 have 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)*

11. OTHER FINANCIAL ASSETS

	Unaudited 30 June 2019 HK\$'000	Audited 31 December 2018 HK\$'000
Financial assets at fair value through profit or loss ("FVTPL")		
– Unlisted equity securities	20,420	5,000

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.

12. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	Unaudited 30 June 2019 HK\$'000	Audited 31 December 2018 HK\$'000
Other payables and accruals	1,085	3,554
Deposits for commodity forward contracts	18,738	47,629
	19,823	51,183

14. RELATED PARTY TRANSACTIONS

- (a) Saved as disclosed elsewhere in this report, the Group has the following significant related party transactions:

Type of transaction	Unaudited			
	Six months ended 30 June		Three months ended 30 June	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Interest charged on loan granted to the Group (note (i))	591	472	318	237
Share of staff cost charged to the Group (note (ii))	-	328	-	156
Office rental and other related expenses charged to the Group (note (ii))	455	534	225	267
Interest and commission income charged by the Group for entering into forward arrangements (note (iii))	10	36	-	21
Donation by the Group (note (iv))	500	-	500	-

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

14. RELATED PARTY TRANSACTIONS *(Continued)*

(a) Notes:

- (i) Interest was charged to the Group on the loan granted by a company in which Mr. Felipe Tan (“Mr. Tan”), one of the Company’s directors, acts as director and has controlling equity interest.
- (ii) The Group paid rent to a related company for occupation of office space and shared staff cost and office related expenses with other related companies. Mr. Tan acts as a director and has controlling equity interest in those companies.
- (iii) Interest income and commission income generated for entering into forward arrangements during the period were conducted with companies in which Mr. Tan acts as a director and has equity interest.
- (iv) Donation was made to a charitable company in which Mr. Tan acts as one of the founder members.

(b) Key management includes members of the board of directors and other members of key management of the Group. Their emoluments are set out as follows:

	Unaudited			
	Six months ended		Three months ended	
	30 June		30 June	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Short-term employee benefits	5,372	4,429	1,825	2,345
Contributions to pension scheme	27	69	13	34
	5,399	4,498	1,838	2,379

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. FINANCIAL INSTRUMENTS

(a) Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, trade and other receivables, loan receivable, other payables and accrual, amounts due to related companies and loan from a related company. Due to their short-term nature, the carrying values of the above financial instruments approximates their fair values.

(b) Financial instruments measured at fair value

The following table presents the fair value of the Group's financial instruments that are measured at fair value at the end of the reporting period:

	Unaudited 30 June 2019			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets at FVTPL:				
– Unlisted equity securities	–	–	20,420	20,420
– Commodity forward contracts	–	252	–	252
Financial liabilities at FVTPL:				
– Commodity forward contracts	–	279	–	279
	Audited 31 December 2018			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets at FVTPL:				
– Unlisted equity securities	–	–	5,000	5,000
– Commodity forward contracts	–	6,889	–	6,889
Financial liabilities at FVTPL:				
– Commodity forward contracts	–	1	–	1

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

15. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial instruments measured at fair value *(Continued)*

During the six months ended 30 June 2019, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Input for the asset or liability that is not based on observable market data (unobservable input).

The fair values of commodity forward contracts are determined with reference to the commodity prices available in active markets, which are level 2 fair value measurement.

The fair value of unlisted equity securities are determined based on transaction price and factors or events that have occurred after the acquisition date. Since there is no significant change in market condition or the performance and operation of the investee, the Directors considered the fair value of the unlisted equity securities is approximately the transaction price.

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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

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 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)*

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.

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 10 and 11 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.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

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.

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.

(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%

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 30.6.2019	
				Outstanding as at 1.1.2019	Granted	Exercised	Cancelled		Lapsed
Felipe Tan (note (i))	10.4.2015	0.78	10.4.2015 – 9.4.2025	250,000	-	-	-	-	250,000
Tsang Wai Chun Marianna (note (ii))	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:

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 30 June 2019.

SHARE OPTIONS

A summary of the share options granted under the Share Option 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 30.6.2019
				Outstanding as at 1.1.2019	Granted	Exercised	Cancelled	Lapsed	
Directors	10.4.2015	0.78	10.4.2015 – 9.4.2025	330,000	-	-	-	(80,000)	250,000
Employees	10.4.2015	0.78	10.4.2015 – 9.4.2025	730,000	-	-	-	(280,000)	450,000
Others	10.4.2015	0.78	10.4.2015 – 9.4.2025	130,000	-	-	-	(10,000)	120,000
				1,190,000	-	-	-	(370,000)	820,000

The fair value of equity-settled share options granted 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

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.

CORPORATE GOVERNANCE

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.

CORPORATE GOVERNANCE *(Continued)*

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 six months ended 30 June 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 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 report, 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.

The Audit Committee has reviewed this interim report, 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.

Remuneration Committee

The Company established the remuneration committee (the "Remuneration Committee") on 22 July 2014 with written terms of reference in compliance with B.1 of the Code Provisions. Amongst other things, the primary duties of the Remuneration Committee are to make recommendations to the Board on remuneration packages of all of our executive Directors and senior management, including benefits in kind, pension rights and compensation payments, any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board on remuneration of independent non-executive Directors.

As at the date of this report, the Remuneration Committee comprises four independent non-executive Directors, namely Ms. Wu Liyan (Chairlady), Mr. Lau Yuen Sun Adrian, Ms. Wong Susan Chui San and Mr. Zhou Tianshu and one executive Director, Mr. Wang Wendong.

CORPORATE GOVERNANCE *(Continued)*

Nomination Committee

The Company established the nomination committee (the “Nomination Committee”) on 22 July 2014 with written terms of reference that was amended and adopted with effect from 2 January 2019 in compliance with A.5 of the Code Provisions. The Nomination Committee is mainly responsible for making recommendations to the Board on appointment and succession planning of our Directors. During the period, the diversity of the Board members was achieved by considering of a number of aspects, including but not limited to gender, age, culture and education background, professional experience, skills, knowledge and length of service of each Director. The Company recognises and embraces the benefits of diversity of the Board members. It endeavors to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company’s business.

As at the date of this report, the Nomination Committee comprises two independent non-executive Directors namely Mr. Lau Yuen Sun Adrian and Ms. Wu Liyan and two executive Directors, namely Mr. Wang Wendong (Chairman) and Mr. Zhu Hongguang.

Executive Committee

The Company established the executive committee (the “Executive Committee”) on 19 December 2016 with written terms of reference. The Executive Committee is mainly responsible for monitoring the formulation, revision and implementation of the Company’s strategic plan and monitor the operation of its subsidiaries.

As at the date of this report, the Executive Committee comprises three executive Directors, namely Mr. Wang Wendong (Chairman), Mr. Fung Chi Kin and Mr. Zhu Hongguang and one key personnel of the Company, Mr. Kwan Fai.

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 report, 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.