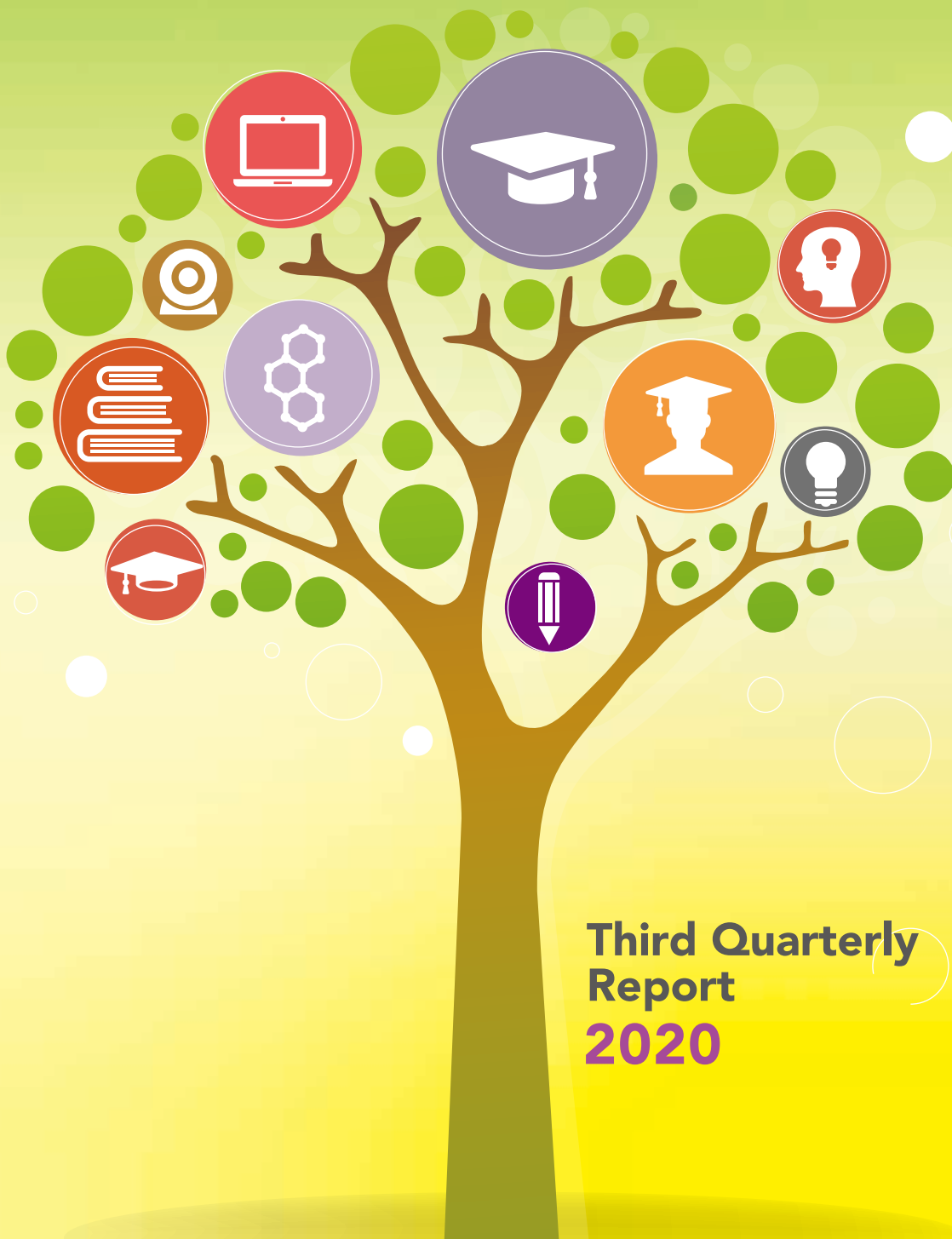




# Loco Hong Kong Holdings Limited 港銀控股有限公司

*(incorporated in Hong Kong with limited liability)*  
(Stock Code: 8162)



**Third Quarterly  
Report  
2020**

## CHARACTERISTICS OF 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.**

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

*This report, for which the directors (the “**Directors**”) of Loco Hong Kong Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) 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 Listed Company Information” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least seven days from the day of its publication and will be available on the Company’s website at [www.locohkholdings.com](http://www.locohkholdings.com).*

The board of Directors (the “**Board**”) presents the unaudited condensed consolidated financial statements of the Group for the three months and nine months ended 30 September 2020, together with the comparative unaudited figures for the corresponding periods in 2019, as follows:

## **CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*FOR THE THREE MONTHS AND NINE MONTHS ENDED 30 SEPTEMBER 2020*

	Notes	Unaudited		Unaudited	
		Nine months ended 30 September		Three months ended 30 September	
		2020 HK\$'000	(restated) 2019 HK\$'000	2020 HK\$'000	(restated) 2019 HK\$'000
<b>Revenue</b>					
– Trading of precious metal		4,247	185,477	4,247	5,501
– Education management services		2,176	4,889	1,356	4,889
– Interest income from customers and suppliers		10	5,273	1	475
– Processing fee		–	211	–	–
– Order commission		–	19	–	–
		<b>6,433</b>	195,869	<b>5,604</b>	10,865
Trading losses on commodity forward contracts		(183)	(2,874)	(57)	(155)
Other income		766	251	499	41
<b>Total income</b>		<b>7,016</b>	193,246	<b>6,046</b>	10,751
Carrying value of inventories sold		(4,138)	(184,972)	(4,138)	(5,278)
Change in fair value of commodity inventory		37	–	(84)	–
Depreciation of property, plant and equipment		(977)	(973)	(349)	(282)
Depreciation of right-of-use assets		(1,929)	(1,761)	(738)	(587)
Employee costs		(16,055)	(19,483)	(5,820)	(9,193)
Rental expenses		(873)	(390)	(294)	–
Loss on disposal of property, plant and equipment		–	(16)	–	–
Other operating expenses		(7,048)	(10,220)	(3,357)	(2,996)
Fair value losses on other financial assets		(2,486)	–	–	–
Provision of loss allowance on loan receivable		(1,420)	–	–	–
Reversal of provision/(provision) of loss allowance on trade and other receivables		341	–	(16)	–
Share of profit/(loss) of an associate		150	(14)	90	(18)
Finance costs	3	(56)	(729)	(21)	(43)
Loss before income tax expense		<b>(27,438)</b>	(25,312)	<b>(8,681)</b>	(7,646)
Income tax expense	4	–	(1,039)	–	(1,039)
<b>Loss for the period</b>		<b>(27,438)</b>	(26,351)	<b>(8,681)</b>	(8,685)

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

FOR THE THREE MONTHS AND NINE MONTHS ENDED 30 SEPTEMBER 2020

	Note	Unaudited			
		Nine months ended 30 September		Three months ended 30 September	
		2020 HK\$'000	(restated) 2019 HK\$'000	2020 HK\$'000	(restated) 2019 HK\$'000
<b>(Loss)/profit for the period attributable to:</b>					
– Owners of the Company		<b>(26,431)</b>	(27,170)	<b>(8,043)</b>	(9,504)
– Non-controlling interests		<b>(1,007)</b>	819	<b>(638)</b>	819
		<b>(27,438)</b>	(26,351)	<b>(8,681)</b>	(8,685)
<b>Loss for the period</b>		<b>(27,438)</b>	(26,351)	<b>(8,681)</b>	(8,685)
<b>Other comprehensive income/(loss)</b>					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		<b>487</b>	(31)	<b>1,018</b>	(224)
<b>Total comprehensive loss for the period</b>		<b>(26,951)</b>	(26,382)	<b>(7,663)</b>	(8,909)
<b>Total comprehensive (loss)/income for the period attributable to:</b>					
– Owners of the Company		<b>(26,176)</b>	(27,194)	<b>(7,511)</b>	(9,719)
– Non-controlling interests		<b>(775)</b>	812	<b>(152)</b>	810
		<b>(26,951)</b>	(26,382)	<b>(7,663)</b>	(8,909)
		<b>HK cents</b>	(restated) HK cents	<b>HK cents</b>	HK cents
<b>Basic and diluted loss per share</b>	6	<b>(4.59)</b>	(4.88)	<b>(1.40)</b>	(1.65)

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS AND NINE MONTHS ENDED 30 SEPTEMBER 2020

	Unaudited								
	Share capital	Merger reserve	Equity-settled share-based payment reserve	Statutory reserve	Translation reserve	Accumulated losses	Equity attributable to owners of the Company	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 31 December 2018 (originally stated)	122,898	(1,357)	380	-	(183)	(39,284)	82,454	-	82,454
Effect of adoption of HKFRS16	-	-	-	-	-	(24)	(24)	-	(24)
<b>As at 1 January 2019</b>	<b>122,898</b>	<b>(1,357)</b>	<b>380</b>	<b>-</b>	<b>(183)</b>	<b>(39,308)</b>	<b>82,430</b>	<b>-</b>	<b>82,430</b>
(Loss)/profit for the period	-	-	-	-	-	(27,170)	(27,170)	819	(26,351)
Other comprehensive loss:									
Exchange differences on translating foreign operations	-	-	-	-	(24)	-	(24)	(7)	(31)
Total comprehensive (loss)/income for the period	-	-	-	-	(24)	(27,170)	(27,194)	812	(26,382)
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)
Disposal of partial interest in a subsidiary without loss of control	-	-	-	-	84	(694)	(610)	610	-
Recognition of equity-settled share-based payments	-	-	4,147	-	-	-	4,147	-	4,147
Lapsed share options	-	-	(278)	-	-	278	-	-	-
<b>As at 30 September 2019</b>	<b>144,480</b>	<b>(1,357)</b>	<b>4,249</b>	<b>-</b>	<b>(123)</b>	<b>(66,894)</b>	<b>80,355</b>	<b>1,931</b>	<b>82,286</b>
<b>As at 1 January 2020</b>	<b>144,480</b>	<b>(1,357)</b>	<b>4,135</b>	<b>-</b>	<b>(16)</b>	<b>(73,127)</b>	<b>74,115</b>	<b>8,893</b>	<b>83,008</b>
Loss for the period	-	-	-	-	-	(26,431)	(26,431)	(1,007)	(27,438)
Other comprehensive income:									
Exchange differences on translating foreign operations	-	-	-	-	255	-	255	232	487
Total comprehensive income/(loss) for the period	-	-	-	-	255	(26,431)	(26,176)	(775)	(26,951)
Capital injection by non-controlling interest	-	-	-	-	-	-	-	492	492
Dividends to non-controlling interest of subsidiaries	-	-	-	-	-	-	-	(6,301)	(6,301)
Transfer of statutory reserve	-	-	-	1,643	-	(1,643)	-	-	-
Recognition of equity-settled share-based payments	-	-	2,665	-	-	-	2,665	-	2,665
Lapsed share options	-	-	(127)	-	-	127	-	-	-
<b>As at 30 September 2020</b>	<b>144,480</b>	<b>(1,357)</b>	<b>6,673</b>	<b>1,643</b>	<b>239</b>	<b>(101,074)</b>	<b>50,604</b>	<b>2,309</b>	<b>52,913</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

The Company is a limited liability company incorporated in Hong Kong. Its shares are listed on GEM of the Stock Exchange. 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 Group is principally engaged in provision of education management services, trading of precious metal and commodity forward contracts and provision of money lending services, which are conducted in the mainland of the People's Republic of China (the "**PRC Mainland**") and in Hong Kong.

The unaudited condensed consolidated financial statements of the Group for the three months and nine months ended 30 September 2020 are presented in thousands of units of Hong Kong dollars ("**HK\$'000**"), unless otherwise stated. These unaudited condensed consolidated financial statements were authorised for issue by the Board on 9 November 2020.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

These unaudited condensed consolidated financial statements do not include all the information and disclosures required in a full set of financial statements prepared in accordance with HKFRSs, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2019 (the "**2019 annual financial statements**").

These unaudited condensed consolidated financial statements have been prepared with the same accounting policies adopted in the 2019 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 2020. The adoption of these new or revised HKFRSs has had no material effect on the amounts reported and/or disclosures set out in these unaudited condensed consolidated financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

These unaudited condensed consolidated financial statements have not been audited, but have been reviewed by the audit committee of the Company (the "**Audit Committee**").

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

### 3. FINANCE COSTS

	Unaudited			
	Nine months ended 30 September		Three months ended 30 September	
	2020 HK\$'000	(restated) 2019 HK\$'000	2020 HK\$'000	(restated) 2019 HK\$'000
Interest on bank loan and other borrowing	-	30	-	-
Interest on loan from related companies	-	608	-	17
Interest on lease liabilities	56	91	21	26
	56	729	21	43

### 4. INCOME TAX EXPENSE

The amount of the income tax expense represents the following:

	Unaudited			
	Nine months ended 30 September		Three months ended 30 September	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Current tax	-	1,039	-	1,039

Hong Kong Profits Tax is calculated at 16.5% (for the three months and nine months ended 30 September 2019: 16.5%) on the estimated assessable profits for the period. No provision for Hong Kong Profits Tax has been made in the unaudited condensed consolidated financial statements as the Group incurred tax losses for the period.

Under the law of the PRC Mainland on Enterprise Income Tax (the "EIT Laws") and Interpretation Regulation of the EIT Laws, the tax rate of the PRC Mainland subsidiaries is 25% for the period.

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

### 5. DIVIDEND

The Board does not recommend the payment of any dividend of the Company for the nine months ended 30 September 2020 (for the nine months ended 30 September 2019: Nil).

### 6. 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			
	Nine months ended 30 September		Three months ended 30 September	
	2020 HK\$'000	(restated) 2019 HK\$'000	2020 HK\$'000	(restated) 2019 HK\$'000
<b>Loss</b>				
Loss for the purpose of basic loss per share	<b>(26,431)</b>	(27,170)	<b>(8,043)</b>	(9,504)
<b>Number of shares</b>				
Weighted average number of ordinary shares for the purpose of basic loss per share	<b>576,170,000</b>	556,477,692	<b>576,170,000</b>	576,170,000

For the three months and nine months ended 30 September 2020 and 2019, the computation of diluted loss per share does not assume the exercise of the Company's outstanding share options since their exercise price is higher than the average market price of the shares of the Company for the period. Accordingly, the basic and diluted loss per share are the same.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

For the nine months ended 30 September 2020 and 2019, the Group's principal activities were engaged in the provision of education management services in the PRC Mainland, trading of precious metal and commodity forward contracts and provision of money lending services in Hong Kong.

#### ***Provision of education management services***

During the nine months ended 30 September 2020, the Group's indirect subsidiary, 四川港銀雅滙教育管理有限公司 (Sichuan Loco Yahui Education Management Limited\*), was principally engaged in the provision of education management services to various schools in the PRC Mainland. Since the outbreak of the pandemic in January 2020, the education industry was also affected. With the control to the pandemic implemented in the PRC Mainland, the education industry has been gradually recovering. This business segment contributed during the nine months ended 30 September 2020 approximately HK\$2.2 million to the Group's revenue (for the nine months ended 30 September 2019: approximately HK\$4.9 million).

#### ***Trading of precious metal***

During the nine months ended 30 September 2020, the general global economic condition remained volatile and challenging given the backdrop of the ongoing Sino-US trade disputes and the added impact of the Brexit situation. While the Group attempted to explore other business opportunities in this business segment during the nine months ended 30 September 2020, the price trend in trading of precious metal (including gold and silver) continued to be volatile and rising significantly during the nine months ended 30 September 2020 due to the negative outlook from the abovementioned economic uncertainties. Further, competition in the trading of silver scrap (non-standard) products remained fierce with the shortage in supply accompanied with the obviously weakening demand for physical silver. The stringent condition of the pandemic in Hong Kong also affected the import and export industry as well as logistic business in general, which enhances the settlement risks significantly. As the Group continued to adhere to its risk control policies, it was perceived that the business risk in this business segment remains volatile and hence revenue generated during the nine months ended 30 September 2020 was approximately HK\$4.2 million for this business segment (for the nine months ended 30 September 2019: approximately HK\$185.5 million). Since the impact of the global pandemic is yet to be resolved, the global economic outlook recovery remains uncertain and not optimistic, the Group hopes that there may be improvement in the current market condition when the impact of the global pandemic becomes more controllable.

\* English name for identification purpose only

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

### **Business Review** *(Continued)*

#### ***Provision of money lending services***

During the nine months ended 30 September 2020, the impact of the global pandemic caused a general suspension in economic activities and the strict measures adopted for social distancing in general led to the worsening of individual employment and a significant drop in business operations. Similarly, the PRC Mainland market was also affected and hence the credit risk in the money lending services was perceived to be higher accordingly. Given the stringent economic and business outlook, the Group strictly adhered to cautious credit assessment and reviewed the Group's policies by timely assessing existing and potential clients' credit profile with reference to the then market condition and their respective background. In view of the current uncertain economic condition that affected projection on assets valuation, business forecasts and individual's repayment abilities, the Group continued to adopt a prudent approach in selecting qualified credit applicants for potential business opportunities. Accordingly, there was a significant decrease in revenue generated for this business segment to approximately HK\$0.01 million for the nine months ended 30 September 2020 (for the nine months ended 30 September 2019: approximately HK\$0.41 million).

#### **Outlook**

In view of the current social and economic challenges encountered in the PRC Mainland and globally, the Group believed that the strategies to explore appropriate new business and regional markets in order to mitigate overall business risks is the proper approach for sustainable operation. The Group hopes the business segment in the provision of education management services in the PRC Mainland will gradually recover in the second half of 2020, while the pandemic in the PRC Mainland remains stable and controlled. The business segments of trading of precious metal and money lending require cautious assessment and robust risk control management. The Group will continue to explore further opportunities to strengthen business and market presence in its business segment of provision of education management services as well as to manage its business segment of trading of precious metal and money lending on a cautious and prudent basis. All in all, the Group will continue to strive for balance in further developing its existing business model whereas securing the return and value to the shareholders of the Company as a whole.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### Financial Review

For the nine months ended 30 September 2020, the Group had a total revenue of approximately HK\$6.4 million (for the nine months ended 30 September 2019: approximately HK\$195.9 million), representing a decrease of approximately 96.7% as compared with the nine months ended 30 September 2019. For the nine months ended 30 September 2020, the Group recorded a loss of approximately HK\$27.4 million (for the nine months ended 30 September 2019: approximately HK\$26.4 million), representing an increase of approximately 3.8% as compared with the nine months ended 30 September 2019. The increase in loss was mainly attributable to net effect of:

- (i) a significant decrease in the Group's total revenue of approximately 96.7% as discussed in above;
- (ii) for the nine months ended 30 September 2020, approximately HK\$4.1 million for the carrying value of inventories sold was recognised (for the nine months ended 30 September 2019: approximately HK\$185 million);
- (iii) the fair value loss on investment in unlisted equity securities of approximately HK\$2.5 million;
- (iv) a provision of loss allowance of approximately HK\$1.4 million provided on loan receivable;
- (v) a decrease in trading losses on commodity forward contracts of approximately HK\$2.7 million;
- (vi) a decrease in employee costs of approximately HK\$3.4 million; and
- (vii) a decrease in other operating expenses of approximately HK\$3.2 million.

For the nine months ended 30 September 2020, the Group's loss attributable to owners of the Company was approximately HK\$26.4 million, as compared to the loss attributable to owners of the Company of approximately HK\$27.2 million for the nine months ended 30 September 2019.

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

### **Gearing ratio**

The Group monitors capital on the basis of the net gearing ratio. This ratio is calculated as net debt divided by total capital.

As at 30 September 2020, no gearing ratio was presented as the Group has net cash surplus (31 December 2019: net cash surplus).

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

As at 30 September 2020, no Group's asset was pledged as security (31 December 2019: Nil).

### **Future Plan for Material Investments and Capital Assets**

As at 30 September 2020, the Group did not have any concrete plan for material investments or capital assets.

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

During the nine months ended 30 September 2020, the Group did not have any significant investments, acquisitions and disposals.

### **Capital commitment**

As at 30 September 2020, the Group did not have any significant capital commitment (31 December 2019: Nil).

### **Foreign Exchange Exposure**

The Group's sales, purchase and borrowings are predominantly denominated in HK\$, United States dollars and Renminbi. The Directors considered that the Group had no significant exposure to foreign exchange fluctuations and believed it was not necessary to hedge against any exchange risk. Nevertheless, the Company's management will continue to monitor the foreign exchange exposure position and will take any future measures if appropriate.

### **Contingent liabilities**

As at 30 September 2020, 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 (31 December 2019: Nil) and there has not been any material change in the contingent liabilities of the Group since 30 September 2020.

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

As at 30 September 2020, the interests and short positions of the Directors and the chief executive 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 and underlying ordinary shares of the Company

Name of Directors/chief executive	Nature of interests	Number of ordinary shares held	Number of underlying ordinary shares of the Company held (Note 1)	Total	Approximate percentage of shareholding (Note 2)
<b>Executive Directors:</b>					
Mr. Wang Wendong	Beneficial owner	–	5,700,000	5,700,000	0.99%
Mr. Fung Chi Kin	Beneficial owner	–	5,700,000	5,700,000	0.99%
<b>Independent Non-Executive Directors:</b>					
Mr. Zhou Tianshu	Beneficial owner	–	570,000	570,000	0.10%
Ms. Wu Liyan	Beneficial owner	–	570,000	570,000	0.10%
Ms. Wong Susan Chui San	Beneficial owner	–	570,000	570,000	0.10%

*Note 1:* These are share options granted by the Company to the Directors under the share option scheme on 27 August 2019. The details of the grant are set out in the section headed "Equity-linked Agreements – Share option scheme" in the Report of the Directors of the 2019 Annual Report of the Company. The particulars of the Directors' interests in share options are set out in part (b) below.

*Note 2:* The approximate percentage of shareholding was calculated based on the total number of ordinary shares of the Company's in issue, being 576,170,000 shares as at 30 September 2020.

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

(Continued)

## Long Positions (Continued)

### (b) Interests in share options relating to ordinary shares of the Company

Name of Directors	Date of grant	Exercise price per share HK\$	Exercise period	Number of share options and underlying shares					Outstanding as at 30.9.2020
				Outstanding as at 1.1.2020	Granted	Exercised	Cancelled	Lapsed	
Mr. Wang Wendong	27.8.2019	0.616	27.8.2019 – 26.8.2022 (Note 2)	5,700,000	-	-	-	-	5,700,000
Mr. Fung Chi Kin	27.8.2019	0.616	27.8.2019 – 26.8.2022 (Note 2)	5,700,000	-	-	-	-	5,700,000
Mr. Lau Yuen Sun Adrian (Note 1)	27.8.2019	0.616	27.8.2019 – 26.8.2022 (Note 2)	570,000	-	-	-	(570,000)	-
Mr. Zhou Tianshu	27.8.2019	0.616	27.8.2019 – 26.8.2022 (Note 2)	570,000	-	-	-	-	570,000
Ms. Wu Liyan	27.8.2019	0.616	27.8.2019 – 26.8.2022 (Note 2)	570,000	-	-	-	-	570,000
Ms. Wong Susan Chui San	27.8.2019	0.616	27.8.2019 – 26.8.2022 (Note 2)	570,000	-	-	-	-	570,000
				13,680,000	-	-	-	(570,000)	13,110,000

*Note 1:* Mr. Lau Yuen Sun Adrian resigned as an independent non-executive director of the Company on 6 May 2020.

*Note 2:* The share options granted vest to the Directors at the date of grant (i.e. 27 August 2019), the first and second anniversary of the date of grant (i.e. 27 August 2020 and 27 August 2021, respectively) at an average amount and the share options once vested shall be exercisable on a cumulative basis.

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

(Continued)

### Short Positions

As at 30 September 2020, no short positions of Directors or the chief executive of the Company 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 September 2020, the following persons/entities (other than the Directors and the chief executive 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	Approximate percentage of shareholding (Note 1)
Hon Pok	Beneficial owner	76,000,000	13.19%
Chu Fong	Beneficial owner	46,000,000	7.98%
Zhang Bo	Beneficial owner	45,000,000	7.81%
Ho Mun Jing	Beneficial owner	29,730,000	5.16%

*Note 1:* The approximate percentage of shareholding was calculated based on the total number of ordinary shares of the Company in issue, being 576,170,000 shares as at 30 September 2020.

Save as disclosed above, no other interests or short positions of any persons/entities (other than the Directors and the chief executive 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 September 2020.

## SHARE OPTIONS

The Company adopted a share option scheme on 22 July 2014 (the “**Share Option Scheme**”), 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 30.9.2020
				Outstanding as at 1.1.2020	Granted	Exercised	Cancelled	Lapsed	
Directors	27.8.2019	0.616	27.8.2019 – 26.8.2022 <i>(Note)</i>	13,680,000	-	-	-	(570,000)	13,110,000
Employees	10.4.2015	0.78	10.4.2015 – 9.4.2025	200,000	-	-	-	(40,000)	160,000
	27.8.2019	0.616	27.8.2019 – 26.8.2022 <i>(Note)</i>	24,000,000	-	-	-	(500,000)	23,500,000
Others	10.4.2015	0.78	10.4.2015 – 9.4.2025	120,000	-	-	-	-	120,000
				38,000,000	-	-	-	(1,110,000)	36,890,000

*Note:* The share options granted vest to the grantees at the date of grant (i.e. 27 August 2019), the first and second anniversary of the date of grant (i.e. 27 August 2020 and 27 August 2021, respectively) at an average amount, the share options once vested shall be exercisable on a cumulative basis.

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

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

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.



## SHARE OPTIONS *(Continued)*

The fair value of equity-settled share options granted during the year ended 31 December 2019 were HK\$0.211, HK\$0.212 and HK\$0.213 per option each for three tranches which will be vested on 27 August 2019, 27 August 2020 and 27 August 2021, respectively, amounted to approximately HK\$7,984,000 in aggregate. The fair values were estimated as at 27 August 2019, being the date of grant, using the Binomial 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\$0.60
Exercise price	HK\$0.616
Volatility	52.68%
Risk-free interest rate	1.31%
Dividend yield	0%
Early exercise multiplier	2.80
Expected option life	3 years

Estimation of the value of the share options is subjective and uncertain as such values are subject to a number of assumptions and with regard to the limitation of the model. The expected volatility is based on the historical volatility reflecting the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The expected early exercise multiplier is also estimated and is not necessarily indicative of the exercise patterns that may occur.

All significant features necessary to be considered for the measurement of fair values of the share options granted during the period were incorporated into such measurement.

The Group recognised employee costs of approximately HK\$2.7 million for the nine months ended 30 September 2020 (for the nine months ended 30 September 2019: approximately HK\$4.1 million) in relation to share options granted by the Company.

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

During the nine months ended 30 September 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **COMPETITION AND CONFLICT OF INTEREST**

During the nine months ended 30 September 2020, 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.

## **CORPORATE GOVERNANCE**

### **Code on Corporate Governance Practices**

During the nine months ended 30 September 2020, 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 (the "**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. Currently, Mr. Wang Wendong 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 of the Company as a whole.

### **Code of Conduct Regarding Securities Transactions by Directors**

The Company has adopted a code of conduct regarding securities transactions carried out by Directors, that is not laxer than relevant standards of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries to all Directors, they confirmed they have complied with the standards of dealings and the code of conduct regarding securities transactions carried out by Directors, adopted by the Company throughout the nine months ended 30 September 2020.

## **CORPORATE GOVERNANCE** *(Continued)*

### **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, the Company's 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, the Company's 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 the Company's accounting staff, compliance officers or auditors. Members of the Audit Committee are also responsible for reviewing the Company's financial reporting process, risk management and internal control systems.

As at the date of this report, the Audit Committee comprises three independent non-executive Directors, namely Mr. Zhou Tianshu (Chairman), Ms. Wu Liyan and Ms. Wong Susan Chui San.

The Audit Committee has reviewed this quarterly report, including the unaudited condensed consolidated financial statements of the Group for the three months and nine months ended 30 September 2020, prior to recommending them to the Board for approval.

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

Hong Kong, 9 November 2020

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