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

(incorporated in Hong Kong with limited liability)

(Stock Code: 8162)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 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.

*This announcement, 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 the GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

This announcement shall remain on the “Latest Listed Company Information” page of the GEM website at www.hkgem.com for at least seven days from the date of its publication and will be available on the Company’s website at www.locohkholdings.com.

The Board of Directors (the “**Board**”) of the Company hereby announces the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2020, together with comparative figures for the previous year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	<i>Notes</i>	2020 HK\$’000	2019 <i>HK\$’000</i>
Revenue			
– Sales of precious metal		4,247	185,688
– Education management services		6,207	25,201
– Interest income from customers and suppliers		10	5,706
– Order commission		–	19
		<hr/>	<hr/>
Total revenue	3	10,464	216,614
Trading losses on commodity forward contracts		(153)	(2,871)
Other income		932	280
		<hr/>	<hr/>
		11,243	214,023
Carrying value of inventories sold		(4,138)	(183,361)
Change in fair value of commodity inventories		53	(1,590)
Depreciation on property, plant and equipment		(1,265)	(1,356)
Depreciation on right-of-use assets		(2,667)	(2,348)
Employee costs		(21,437)	(24,108)
Fair value losses on other financial assets		(11,786)	(3,134)
Loss on disposal of property, plant and equipment		–	(56)
Other operating expenses		(9,578)	(13,882)
Provision of loss allowance on loan receivable		(4,829)	(2,684)
Provision of loss allowance on trade and other receivables		(363)	(714)
Rental expenses		(1,204)	(390)
Share of profit/(loss) of an associate		90	(9)
Finance costs	4	(71)	(794)
		<hr/>	<hr/>
Loss before income tax expense	5	(45,952)	(20,403)
Income tax expense	6	(785)	(5,901)
		<hr/>	<hr/>
Loss for the year		(46,737)	(26,304)
		<hr/> <hr/>	<hr/> <hr/>

		2020	2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>1,309</u>	<u>171</u>
Other comprehensive income for the year, net of tax		<u>1,309</u>	<u>171</u>
Total comprehensive loss for the year		<u>(45,428)</u>	<u>(26,133)</u>
(Loss)/profit for the year attributable to:			
– Owners of the Company	7	(46,856)	(34,002)
– Non-controlling interests		<u>119</u>	<u>7,698</u>
		<u>(46,737)</u>	<u>(26,304)</u>
Total comprehensive (loss)/income for the year attributable to:			
– owners of the Company		(46,171)	(33,885)
– non-controlling interests		<u>743</u>	<u>7,752</u>
		<u>(45,428)</u>	<u>(26,133)</u>
Loss per share attributable to owners of the Company during the year (basic and diluted)			
	7	<u>(7.98)</u>	<u>(6.05)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Property, plant and equipment		2,549	2,985
Right-of-use assets		2,312	3,000
Interest in an associate		8,081	7,991
Other financial assets		5,500	17,286
		<u>18,442</u>	<u>31,262</u>
Current assets			
Inventories		277	224
Trade and other receivables and prepayments	8	7,978	28,090
Loan receivable	9	–	4,829
Cash and cash equivalents		28,964	28,724
		<u>37,219</u>	<u>61,867</u>
Current liabilities			
Other payables and accruals	10	1,901	2,088
Tax payable		19	4,882
Lease liabilities		1,859	2,280
		<u>3,779</u>	<u>9,250</u>
Net current assets		<u>33,440</u>	<u>52,617</u>
Total assets less current liabilities		<u>51,882</u>	<u>83,879</u>
Non-current liabilities			
Deferred tax liabilities		143	–
Lease liabilities		516	871
		<u>659</u>	<u>871</u>
Net assets		<u><u>51,223</u></u>	<u><u>83,008</u></u>
Equity			
Share capital		161,112	144,480
Reserves		(113,544)	(70,365)
Equity attributable to the owners of the Company		<u>47,568</u>	<u>74,115</u>
Non-controlling interests		3,655	8,893
Total equity		<u><u>51,223</u></u>	<u><u>83,008</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL INFORMATION

Loco Hong Kong Holdings Limited (the “**Company**”) is a limited liability company incorporated in Hong Kong and its shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) with effect from 5 August 2014. The addresses of the registered office and principal place of business are Unit 401, 4/F., Fairmont House, 8 Cotton Tree Drive, Admiralty, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (collectively the “**Group**”) is principally engaged in provision of education management services in mainland of the People’s Republic of China (the “**PRC Mainland**”), trading of precious metal and commodity forward contracts, and provision of money lending services in Hong Kong.

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (“**HK\$’000**”), unless otherwise stated. These consolidated financial statements were approved and authorized for issue by the board of directors on 25 March 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance Cap.622 (“**CO**”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (“**GEM Listing Rules**”).

The consolidated financial statements have been prepared on the historical cost basis except for certain inventories and financial instruments that are measured at fair values.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 “*Share-based Payment*” (“**HKFRS 2**”), leasing transactions that are accounted for in accordance with HKFRS 16 “*Leases*” (“**HKFRS 16**”), and measurements that have some similarities to fair value but are not fair value, such as net realizable value in HKAS 2 “*Inventories*” or value in use in HKAS 36 “*Impairment of Assets*”.

The preparation of the consolidated financial statements in accordance with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies of the Group.

2.2 Changes in accounting policies

(i) *New and amended standards adopted by the Group*

The Group has applied the following new and revised standards and amendments for the first time in the current year:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

(ii) The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments ¹
Amendments to HKFRS 16	Covid-19 Related Rent Concessions ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ¹
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ²

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 June 2020.

⁵ Effective for annual periods beginning on or after 1 January 2021.

The directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. SEGMENT INFORMATION

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

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 and operating segments:

- (i) Trading of precious metal – Sales of precious metal and interest income from Forward Agreements in Hong Kong.
- (ii) Money lending services – Provision of money lending services in Hong Kong.
- (iii) Education management services – Provision of education management services in PRC Mainland.

(a) Segment results, assets and liabilities

The segment information provided to the directors of the Company for the reportable segments for the years ended 31 December 2019 and 2020 are as follows:

	For the year ended 31 December 2020			
	Trading of precious metal <i>HK\$'000</i>	Money lending services <i>HK\$'000</i>	Education management services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment revenue (Note)	4,247	10	6,207	10,464
Reportable segment (loss)/profit	(5,541)	(6,543)	615	(11,469)
Depreciation of property, plant and equipment				(401)
Depreciation of right-of-use assets				(1,838)
Employee costs				(15,729)
Fair value losses on other financial assets				(9,500)
Interest expenses				(52)
Other unallocated corporate expenses				(6,963)
Loss before income tax expense				(45,952)
Income tax expense				(785)
Loss for the year				(46,737)
Reportable segment assets	15,663	81	17,409	33,153
Cash and cash equivalents				18,487
Property, plant and equipment				178
Right-of-use assets				2,064
Other financial assets				1,000
Other unallocated corporate assets				779
Consolidated total assets				55,661
Additions to specified non-current assets	–	–	753	753
Reportable segment liabilities	316	88	587	991
Lease liabilities				2,115
Other unallocated corporate liabilities				1,332
Consolidated total liabilities				4,438

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

For the year ended 31 December 2019

	Trading of precious metal <i>HK\$'000</i>	Money lending services <i>HK\$'000</i>	Education management services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment revenue (<i>Note</i>)	<u>190,565</u>	<u>848</u>	<u>25,201</u>	<u>216,614</u>
Reportable segment (loss)/profit	<u>(7,522)</u>	<u>(2,512)</u>	<u>22,616</u>	<u>12,582</u>
Depreciation of property, plant and equipment				(512)
Depreciation of right-of-use assets				(1,519)
Employee costs				(16,572)
Fair value losses on other financial assets				(2,000)
Interest expenses				(115)
Other unallocated corporate expenses				<u>(12,267)</u>
Loss before income tax expense				(20,403)
Income tax expense				<u>(5,901)</u>
Loss for the year				<u>(26,304)</u>
Reportable segment assets	<u>23,437</u>	<u>5,850</u>	<u>28,692</u>	<u>57,979</u>
Cash and cash equivalents				21,467
Property, plant and equipment				543
Right-of-use assets				1,923
Other financial assets				10,500
Other unallocated corporate assets				<u>717</u>
Consolidated total assets				<u>93,129</u>
Additions to specified non-current assets	<u>11,051</u>	<u>–</u>	<u>–</u>	<u>11,051</u>
Reportable segment liabilities	<u>1,031</u>	<u>266</u>	<u>5,708</u>	<u>7,005</u>
Lease liabilities				2,045
Other unallocated corporate liabilities				<u>1,071</u>
Consolidated total liabilities				<u>10,121</u>

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

(b) Other segment information

	For the year ended 31 December 2020			
	Trading of precious metal <i>HK\$'000</i>	Money lending services <i>HK\$'000</i>	Education management services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Change in fair value of commodity inventories	53	–	–	53
Depreciation of property, plant and equipment	(791)	–	(73)	(864)
Depreciation of right-of-use assets	(667)	(162)	–	(829)
Fair value losses on other financial assets	(2,286)	–	–	(2,286)
Provision of loss allowance on loan receivable	–	(4,829)	–	(4,829)
Reversal of provision/(provision) of loss allowance on trade and other receivables	(13)	(568)	218	(363)
Interest income	–	10	–	10
Interest expenses	(15)	(4)	–	(19)
Share of profit of an associate	90	–	–	90

	For the year ended 31 December 2019			
	Trading of precious metal <i>HK\$'000</i>	Money lending services <i>HK\$'000</i>	Education management services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amortization of contract costs	–	–	(587)	(587)
Change in fair value of commodity inventories	(1,590)	–	–	(1,590)
Depreciation of property, plant and equipment	(844)	–	–	(844)
Depreciation of right-of-use assets	(667)	(162)	–	(829)
Fair value losses on other financial assets	(1,134)	–	–	(1,134)
Provision of loss allowance on loan receivable	–	(2,684)	–	(2,684)
Provision of loss allowance on trade and other receivables	–	(325)	(389)	(714)
Interest income	4,858	848	–	5,706
Interest expenses	(670)	(9)	–	(679)
Share of loss of an associate	(9)	–	–	(9)

(c) **Geographical information**

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

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

	Revenue from customers*	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Australia	–	15,287
Hong Kong	4,257	66,324
Japan	–	46,583
PRC Mainland	6,207	25,242
Singapore	–	63,178
	<u>10,464</u>	<u>216,614</u>

* *Based on location of customers.*

	Specified non-current assets	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong	12,222	13,976
PRC Mainland	720	–
	<u>12,942</u>	<u>13,976</u>

(d) Disaggregation of revenue

	For the year ended 31 December 2020			
	Trading of precious metal <i>HK\$'000</i>	Money lending services <i>HK\$'000</i>	Education management services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Primary geographical markets				
Hong Kong	4,247	10	–	4,257
PRC Mainland	–	–	6,207	6,207
	<u>4,247</u>	<u>10</u>	<u>6,207</u>	<u>10,464</u>

	For the year ended 31 December 2019			
	Trading of precious metal <i>HK\$'000</i>	Money lending services <i>HK\$'000</i>	Education management services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Primary geographical markets				
Australia	15,287	–	–	15,287
Hong Kong	65,476	848	–	66,324
Japan	46,583	–	–	46,583
PRC Mainland	41	–	25,201	25,242
Singapore	63,178	–	–	63,178
	<u>190,565</u>	<u>848</u>	<u>25,201</u>	<u>216,614</u>

(e) Disaggregation of revenue from contracts with customers

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
By timing of revenue recognition:		
Control transferred over time	6,207	25,201
Control transferred at a point in time	<u>4,247</u>	<u>190,565</u>
	<u>10,454</u>	<u>215,766</u>

(f) **Information about major customers**

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

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A ¹	N/A	56,543
Customer B ¹	N/A	46,583
Customer C ¹	N/A	26,331
Customer D ¹	4,247	N/A
Customer E ²	3,890	N/A
Customer F ²	1,877	N/A
	<u>1,877</u>	<u>N/A</u>

¹ Revenue from trading of precious metal

² Revenue from education management services

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

4. FINANCE COSTS

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans and other borrowing	–	30
Interest on lease liabilities	71	113
Interest on loan from related companies	–	651
	<u>71</u>	<u>794</u>

5. LOSS BEFORE INCOME TAX EXPENSE

Loss before income tax expense is arrived at after charging/(crediting):

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Auditors' remuneration	600	600
Donation	–	500
Exchange gains – net	(343)	(98)
Lease payments not included in the measurement of lease liabilities	1,204	390
	<u>1,204</u>	<u>390</u>

6. INCOME TAX EXPENSE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax:		
Charge for the year	(642)	(5,901)
Deterred tax:		
Change for the year	<u>(143)</u>	<u>–</u>
Income tax expense	<u>(785)</u>	<u>(5,901)</u>

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

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

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profit for the year ended 31 December 2020 (2019: 16.5%).

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 year ended 31 December 2020 (2019: 25%).

The income tax expense can be reconciled to the loss before income tax expense per the consolidated statement of profit or loss and other comprehensive income as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss before income tax expense	<u>45,952</u>	<u>20,403</u>
Tax calculated at domestic tax rate of 16.5% (2019: 16.5%)	7,582	3,366
Effect of different tax rate of subsidiaries operating in other jurisdictions	35	(1,964)
Tax effect of income not taxable for tax purposes	167	64
Tax effect of expenses not deductible for tax purposes	(6,033)	(4,861)
Tax effect of tax losses not recognized	(1,604)	(2,344)
Tax effect of other temporary differences not recognized	(168)	(162)
Withhold tax paid on dividend distributed		
by PRC Mainland subsidiary	(621)	–
Accrual of withholding tax liabilities	<u>(143)</u>	<u>–</u>
Income tax expense for the year	<u>(785)</u>	<u>(5,901)</u>

As at 31 December 2020, the Group had estimated unused tax losses of approximately HK\$34,891,000 (2019: approximately HK\$25,243,000) which are available for offset against future profits. No deferred tax asset has been recognized in respect of the estimated tax losses due to unpredictability of future profit streams. Tax losses amounted to approximately HK\$34,485,000 (2019: approximately HK\$24,882,000) may be carried forward indefinitely which are subject to approval from the Hong Kong Inland Revenue Department and approximately RMB341,000 (equivalent to approximately HK\$406,000) (2019: approximately RMB323,000 (equivalent to approximately HK\$361,000)) will expire in five years.

Under the EIT Law of the PRC Mainland, withholding tax at 10% is imposed on dividends declared to its immediate holding company outside of PRC Mainland in respect of the profits earned by the PRC Mainland subsidiary from 1 January 2008 and onwards. A lower 5% withholding tax rate may be applied when the immediate holding company is established in Hong Kong according to the tax treaty arrangement between the PRC Mainland and Hong Kong. As at 31 December 2019, deferred taxation has not been provided in the consolidated financial statements in respect of temporary differences attributable to the profits earned by the PRC Mainland subsidiary amounting to approximately RMB15,567,000 (equivalent to approximately HK\$17,396,000) as the Group is able to control the timing of reversal of the temporary difference and it is probable that the temporary differences will not be reversed in the foreseeable future.

7. LOSS PER SHARE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss		
Loss attributable to owners of the Company	<u>(46,856)</u>	<u>(34,002)</u>
	2020	2019
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share (<i>in thousand</i>)	<u>587,481</u>	<u>561,704</u>

Diluted loss per share for loss attributable to owners of the Company for the years ended 31 December 2019 and 2020 was the same as basic loss per share because the impact of the exercise of share options is anti-dilutive.

8. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	4,496	21,006
<i>Less: provision for loss allowance</i>	<u>(125)</u>	<u>(310)</u>
Trade receivables – net (<i>Note (a)</i>)	<u>4,371</u>	<u>20,696</u>
Loan interest receivable	893	893
<i>Less: provision for loss allowance</i>	<u>(893)</u>	<u>(325)</u>
Loan interest receivable – net (<i>Note (b)</i>)	<u>–</u>	<u>568</u>
Other receivables and deposits	3,408	6,621
<i>Less: provision for loss allowance</i>	<u>(71)</u>	<u>(79)</u>
Other receivables and deposits – net	<u>3,337</u>	<u>6,542</u>
Prepayments	<u>270</u>	<u>284</u>
	<u>7,978</u>	<u>28,090</u>

(a) Trade receivables

The credit period granted to customers are 3 months generally.

The aging analysis of the trade receivables based on the date of demand note is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 – 30 days	<u>4,371</u>	<u>20,696</u>

None of these receivables were past due.

(b) Loan interest receivable

The Group's loan interest receivable arises from the money lending business of providing personal loans in Hong Kong. The loan interest receivable was secured by collateral provided by personal guarantee and a property located in Hong Kong. Further details of the loan are set out in Note 9.

As at 31 December 2019, the total carrying amount of loan interest receivable is overdue by more than three months but less than six months and the total carrying amount of loan interest receivable is determined to be credit-impaired after considering the overdue aging analysis and other qualitative factors.

9. LOAN RECEIVABLE

	2020	2019
	HK\$'000	HK\$'000
Loan receivable	7,589	7,589
<i>Less: provision for loss allowance</i>	(7,589)	(2,760)
Loan receivable – net	<u>–</u>	<u>4,829</u>

The Group's loan receivable arises from the money lending business of providing personal loans in Hong Kong, with interest bearing at 8% per annum and denominated in HK\$. The loan receivable was secured by personal guarantee and a property located in Hong Kong and the Company is as the third mortgagee of the secured property.

As at 31 December 2019, the total carrying amount of loan receivable is overdue by more than three months but less than six months and the total carrying amount of loan receivable is determined to be credit-impaired after considering the overdue aging analysis and other qualitative factors.

10. OTHER PAYABLES AND ACCRUALS

	2020	2019
	HK\$'000	HK\$'000
Other payables and accruals	<u>1,901</u>	<u>2,088</u>

11. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2020, nor has any dividend been proposed since the end of the reporting period (2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Corporate Strategy and Business Model

The Group is principally engaged in trading of precious metal in Hong Kong accompanied with trading of commodity forward contracts for hedging purpose. Besides, the Group is also engaged in provision of education management services, which are conducted in mainland of the People's Republic of China (the "PRC Mainland"), and provision of money lending services, which are conducted in Hong Kong, during the year.

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

We operate the silver processing facilities with a view to enhancing the marketability as well as facilitating the trading of our silver products. Our processing involves melting silver raw materials and moulding them into the shapes and forms required by our customers.

The Group adopts hedging strategies to avoid adverse impact on our income arising from price fluctuation of precious metals. Such strategies mainly include entering into forward contracts with our commodity dealers to fix the forward price contemporaneously upon our fixing the purchase or sales price with our suppliers or customers, in order to mitigate the impact from price fluctuation.

The sales and purchase price of our silver and gold products and the hedging arrangements are determined with reference to a benchmark price quoted on the website of London Bullion Market Association and live prices published and distributed by various data vendors.

Business Review

For the year ended 31 December 2020, the Group's principal activities were broadly divided into the provision of education management services in the Mainland of the People's Republic of China (the "**PRC Mainland**"), trading of precious metal and provision of money lending services in Hong Kong.

Provision of Education Management Services

For the year ended 31 December 2020, our indirect subsidiary, 四川港銀雅匯教育管理有限公司 (Sichuan Loco Yahui Education Management Limited*) ("**Loco Yahui**"), was principally engaged in the provision of education management and consulting services to different schools in the PRC Mainland. Due to the outbreak of the COVID-19 pandemic in January 2020, the teaching of schools and training institutions was suspended, and the operation of this business segment was greatly affected. By mid-2020, with the effective prevention and control of the pandemic in the PRC Mainland, relevant schools and training institutions have gradually resumed operations, and the education industry has also gradually recovered. Due to the shock and impact of the COVID-19 pandemic during a considerable period of this year, this business segment only contributed approximately HK\$6.2 million in revenue to the Group (2019: approximately HK\$25.2 million).

Sales of Precious Metal

For the year ended 31 December 2020, under the influence of the global outbreak and rapid spread of the COVID-19 pandemic, global economic conditions continued to be turbulent and full of challenges, and the business environment for this business segment was even more difficult. During the year, the price trend of precious metal (including gold and silver) continued to fluctuate sharply, mainly due to the negative outlook from the abovementioned economic uncertainties. Competition in the procurement 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 COVID-19 pandemic in Hong Kong also affected the import and export industry as well as logistic business in general, which enhanced the settlement risks significantly. Although the Group endeavoured to seek other business opportunities in this business segment during the year, it believed that the business risks of this segment were still volatile and required the exercise of caution and further risk control based on its consistent strategy of strict compliance with risk management and control. Therefore, the sales revenue from this business segment for the year was only approximately HK\$4.2 million (2019: approximately HK\$185.7 million).

* *English name for identification purpose only*

Provision of Money Lending Services

For the year ended 31 December 2020, the impact of the global COVID-19 pandemic caused a general suspension in economic activities and a series of prevention and control measures adopted for social distancing led to the worsening of individual employment and business environment. Similarly, the PRC Mainland market was also affected and hence the credit risk in the money lending services was perceived to be significantly higher accordingly. Given the stringent economic situation and business outlook, the Group strictly adhered to cautious credit assessment and review 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 forecasts on asset valuation, business forecast and individual's repayment abilities, the Group adopted a more prudent approach in selecting qualified credit applicants for potential business opportunities to strictly control risks. Therefore, the revenue from this business segment was only approximately HK\$0.01 million (2019: approximately HK\$0.8 million).

Outlook

Given that the PRC Mainland and the global society and economy are still facing severe challenges, the precious metal and money lending businesses still require cautious assessment and robust risk control when the global pandemic is not yet under control. In the PRC Mainland, with the effective prevention and control of the pandemic, the education management service business will gradually recover, but it still faces severe challenges. We will strive to seek further opportunities to consolidate our education management service business and market position, carefully manage precious metal and money lending businesses, and continue to strengthen risk control. All in all, the Group will strive to seek development in the balance of risk control in its existing business model.

Financial Review

For the year ended 31 December 2020, the Group had a total revenue of approximately HK\$10.5 million (2019: approximately HK\$216.6 million), representing a decrease of approximately 95.2% as compared with 2019. The Group recorded loss of approximately HK\$46.7 million (2019: approximately HK\$26.3 million) for the year ended 31 December 2020, representing an increase of approximately 77.7% as compared to 2019. The increase in loss was mainly attributable to net effect of:

- (a) a significant decrease in the Group's total revenue of approximately 95.2% as discussed in above;
- (b) a decrease in trading losses on commodity forward contracts of approximately HK\$2.7 million;
- (c) a decrease in the carrying value of inventories sold of approximately HK\$179.2 million;
- (d) a decrease in change in fair value of commodity inventories of approximately HK\$1.6 million;

- (e) a decrease in employee costs of approximately HK\$2.7 million;
- (f) the fair value loss on investment in unlisted equity securities of approximately HK\$11.8 million;
- (g) a loss allowance of approximately HK\$5.2 million provided on loan receivable and trade and other receivables; and
- (h) a decrease in other operating expenses of approximately HK\$4.3 million.

For the year ended 31 December 2020, the Group's loss attributable to owners of the Company was approximately HK\$46.9 million, as compared to the loss attributable to owners of the Company of approximately HK\$34 million for 2019.

Capital Structure, Liquidity and Financial Resources

As at 31 December 2020, the Group had cash and bank balances of approximately HK\$29 million (2019: approximately HK\$28.7 million) and net current assets of approximately HK\$33.4 million (2019: approximately HK\$52.6 million). As at 31 December 2020, the current ratio stood at 9.85 times (2019: 6.69 times).

The Group generally finances its operations primarily with internally generated cash. The increase in cash and bank balances of approximately HK\$0.2 million mainly represented the net effect of the proceed from issue of placing shares and decrease in the trade receivable, netting off the loss for the year.

As at 31 December 2020, the Group had no outstanding borrowings (2019: Nil).

As at 31 December 2020, no banking facilities were granted to the Group (2019: nil). The Directors believed that the Group has adequate financial resources to fulfill its commitments and working capital requirements.

Placing of New Shares Under General Mandate

As disclosed in the Company's announcements dated 20 November 2020 and 26 November 2020, the Company had completed placing of 115,000,000 ordinary shares of the Company at a placing price of HK\$0.148 per placing share on 26 November 2020.

The placing price of HK\$0.148 per placing share under the placing represents: (i) a discount of approximately 4.52% to the closing price of HK\$0.155 per ordinary share as quoted on the Stock Exchange on 20 November 2020, being the date of the placing agreement; and (ii) a discount of approximately 19.57% to the average closing price of approximately HK\$0.184 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 net proceeds (after deducting the placing commission and other related expenses and professional fees) from the 115,000,000 placing shares amounted to approximately HK\$16.63 million. The Company intends to apply such net proceeds from the placing for its existing businesses and for general working capital.

As at 31 December 2020, the aforesaid net proceeds use which are consistent with the intended use of proceeds has been applied as follows:

	Intended use of proceeds HK\$'000	Utilized amount of proceeds HK\$'000	Unutilized amount of proceeds HK\$'000
General working capital	<u>16,632</u>	<u>–</u>	<u>16,632</u>

As at 31 December 2020, net proceeds not yet utilized were deposited with licensed bank in Hong Kong.

Capital Commitment and Capital Expenditure

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

Employees and Remuneration Policy

As at 31 December 2020, the Group employed a total of 32 staffs (2019: 28 staffs). The total employee costs, including remuneration of the Directors, for the year ended 31 December 2020 amounted to approximately HK\$21.4 million (2019: approximately HK\$24.1 million).

The remuneration policy and package of the Group's employees are periodically reviewed. 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.

Charge on the Group's Assets

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

Future Plan for Material Investments and Capital Assets

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

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies, and Plan for Material Investments of Capital Assets

Save as disclosed herein, there was no significant investment held, material acquisition and disposal of subsidiaries and affiliated companies by the Company during the year ended 31 December 2020. There was no other plan for material investments or capital assets as at 31 December 2020.

Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

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

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

Events after the Reporting Period

There were no significant events after the reporting period of the Group.

SCOPE OF WORK OF AUDITORS

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2020 as set out in this announcement have been agreed by the Company's auditors, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by HLB Hodgson Impey Cheng Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB Hodgson Impey Cheng Limited on this announcement.

DISCLOSURE UNDER SECTION 436 OF THE HONG KONG COMPANIES ORDINANCE

The financial information of the Group relating to the year ended 31 December 2019 included in this preliminary announcement of annual results for the year ended 31 December 2020 do 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 2019 to the Registrar of Companies as required by 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 of the Group for the year ended 31 December 2019. The auditors' report was unqualified; did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

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

On 26 November 2020, the Company allotted and issued a total of 115,000,000 fully paid new shares by way of placing at a price of HK\$0.148 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.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 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 the Code Provision A.2.1 as explained below.

Code Provision A.2.1 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 year ended 31 December 2020.

AUDIT COMMITTEE AND REVIEW OF ACCOUNTS

The Company established the audit committee (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 the Code Provision C.3. 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 the 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 announcement, the Audit Committee comprises 3 independent non-executive Directors, namely Mr. Zhou Tianshu, Ms. Wu Liyan and Ms. Wong Susan Chui San and Mr. Zhou Tianshu is the chairman of the Audit Committee.

The Audit Committee has reviewed the annual results and the audited consolidated financial statements of the Group for the year ended 31 December 2020.

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

Hong Kong, 25 March 2021

As at the date of this announcement, 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.