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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)**

## **THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2021**

### **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 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](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 2021, together with the comparative unaudited figures for the corresponding periods in 2020, as follows:

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

FOR THE THREE MONTHS AND NINE MONTHS ENDED 30 SEPTEMBER 2021

|  | Notes | Unaudited                         |                  |                                    |                  |
|--|-------|-----------------------------------|------------------|------------------------------------|------------------|
|  |       | Nine months ended<br>30 September |                  | Three months ended<br>30 September |                  |
|  |       | 2021<br>HK\$'000                  | 2020<br>HK\$'000 | 2021<br>HK\$'000                   | 2020<br>HK\$'000 |
| <b>Revenue</b>   |       |                                   |                  |                                    |                  |
| – Trading of metal   |       | 5,349                             | 4,247            | 3,567                              | 4,247            |
| – Education management services  |       | 3,914                             | 2,176            | 538                                | 1,356            |
| – Interest income from customers<br>and suppliers  |       | –                                 | 10               | –                                  | 1                |
|  |       | <b>9,263</b>                      | <b>6,433</b>     | <b>4,105</b>                       | <b>5,604</b>     |
| Trading gains/(losses) on<br>commodity forward contracts                                 |       | 22                                | (183)            | 26                                 | (57)             |
| Other income   |       | 73                                | 766              | 6                                  | 499              |
| <b>Total income</b>  |       | <b>9,358</b>                      | <b>7,016</b>     | <b>4,137</b>                       | <b>6,046</b>     |
| Carrying value of inventories sold   |       | (5,361)                           | (4,138)          | (3,560)                            | (4,138)          |
| Change in fair value of<br>commodity inventory   |       | (31)                              | 37               | (27)                               | (84)             |
| Depreciation of property,<br>plant and equipment   |       | (914)                             | (977)            | (283)                              | (349)            |
| Depreciation of right-of-use assets  |       | (2,060)                           | (1,929)          | (576)                              | (738)            |
| Employee costs   |       | (13,811)                          | (16,055)         | (4,139)                            | (5,820)          |
| Rental expenses  |       | (947)                             | (873)            | (307)                              | (294)            |
| Other operating expenses   |       | (5,815)                           | (7,048)          | (1,814)                            | (3,357)          |
| Fair value losses on other<br>financial assets   |       | –                                 | (2,486)          | –                                  | –                |
| Provision of loss allowance on<br>loan receivable  |       | –                                 | (1,420)          | –                                  | –                |
| (Provision)/reversal of provision<br>of loss allowance on trade and<br>other receivables |       | (221)                             | 341              | (16)                               | (16)             |
| Share of profit of an associate  |       | 97                                | 150              | 18                                 | 90               |
| Finance costs  | 3     | (92)                              | (56)             | (52)                               | (21)             |
| Loss before income tax expense   |       | <b>(19,797)</b>                   | <b>(27,438)</b>  | <b>(6,619)</b>                     | <b>(8,681)</b>   |
| Income tax expense   | 4     | (4)                               | –                | –                                  | –                |
| <b>Loss for the period</b>   |       | <b>(19,801)</b>                   | <b>(27,438)</b>  | <b>(6,619)</b>                     | <b>(8,681)</b>   |

|   |  | <b>Unaudited</b>         |                        |                           |                        |
|---|--|--------------------------|------------------------|---------------------------|------------------------|
|   |  | <b>Nine months ended</b> |                        | <b>Three months ended</b> |                        |
|   |  | <b>30 September</b>      |                        | <b>30 September</b>       |                        |
|   |  | <b>2021</b>              | <b>2020</b>            | <b>2021</b>               | <b>2020</b>            |
| <i>Notes</i>  |  | <b><i>HK\$'000</i></b>   | <b><i>HK\$'000</i></b> | <b><i>HK\$'000</i></b>    | <b><i>HK\$'000</i></b> |
| <b>Loss for the period attributable to:</b>                         |  |                          |                        |                           |                        |
|   | – Owners of the Company  | (18,311)                 | (26,431)               | (5,750)                   | (8,043)                |
|   | – Non-controlling interests                                      | (1,490)                  | (1,007)                | (869)                     | (638)                  |
|   |  | <u>(19,801)</u>          | <u>(27,438)</u>        | <u>(6,619)</u>            | <u>(8,681)</u>         |
|   | <b>Loss for the period</b>                                       | <b>(19,801)</b>          | <b>(27,438)</b>        | <b>(6,619)</b>            | <b>(8,681)</b>         |
| <b>Other comprehensive income</b>                                   |  |                          |                        |                           |                        |
|   | Item that may be reclassified<br>subsequently to profit or loss: |                          |                        |                           |                        |
|   | Exchange differences on translating<br>foreign operations        | <u>168</u>               | <u>487</u>             | <u>11</u>                 | <u>1,018</u>           |
|   | <b>Total comprehensive loss<br/>for the period</b>               | <b><u>(19,633)</u></b>   | <b><u>(26,951)</u></b> | <b><u>(6,608)</u></b>     | <b><u>(7,663)</u></b>  |
| <b>Total comprehensive loss<br/>for the period attributable to:</b> |  |                          |                        |                           |                        |
|   | – Owners of the Company  | (18,223)                 | (26,176)               | (5,744)                   | (7,511)                |
|   | – Non-controlling interests                                      | (1,410)                  | (775)                  | (864)                     | (152)                  |
|   |  | <u>(19,633)</u>          | <u>(26,951)</u>        | <u>(6,608)</u>            | <u>(7,663)</u>         |
|   |  | <i>HK cents</i>          | <i>HK cents</i>        | <i>HK cents</i>           | <i>HK cents</i>        |
|   | <b>Basic and diluted loss per share</b>                          | <b><u>(2.57)</u></b>     | <b><u>(4.59)</u></b>   | <b><u>(0.76)</u></b>      | <b><u>(1.40)</u></b>   |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2021

|   | Unaudited                           |                                      |  |   |   |  |  |   |                                    |
|---|-------------------------------------|--------------------------------------|--|---|---|--|--|---|------------------------------------|
|   | Share<br>capital<br><i>HK\$'000</i> | Merger<br>reserve<br><i>HK\$'000</i> | Equity-<br>settled<br>share-based<br>payment<br>reserve<br><i>HK\$'000</i> | Statutory<br>reserve<br><i>HK\$'000</i> | Translation<br>reserve<br><i>HK\$'000</i> | Accumulated<br>losses<br><i>HK\$'000</i> | Equity<br>attributable<br>to owners of<br>the Company<br><i>HK\$'000</i> | Non-<br>controlling<br>interests<br><i>HK\$'000</i> | Total<br>equity<br><i>HK\$'000</i> |
| As at 1 January 2020                                      | 144,480                             | (1,357)                              | 4,135  | –                                       | (16)                                      | (73,127)                                 | 74,115   | 8,893   | 83,008                             |
| Loss for the period                                       | –                                   | –                                    | –  | –                                       | –   | (26,431)                                 | (26,431)   | (1,007)   | (27,438)                           |
| Other comprehensive income:                               |                                     |                                      |  |   |   |  |  |   |                                    |
| Exchange differences on translating<br>foreign operations | –                                   | –                                    | –  | –                                       | 255                                       | –  | 255  | 232   | 487                                |
| Total comprehensive income/(loss)<br>for the period       | –                                   | –                                    | –  | –                                       | 255                                       | (26,431)                                 | (26,176)   | (775)   | (26,951)                           |
| Capital injection by non-controlling interest             | –                                   | –                                    | –  | –                                       | –   | –  | –  | 492   | 492                                |
| Dividends to non-controlling interest<br>of subsidiaries  | –                                   | –                                    | –  | –                                       | –   | –  | –  | (6,301)   | (6,301)                            |
| Transfer of statutory reserve                             | –                                   | –                                    | –  | 1,643                                   | –   | (1,643)                                  | –  | –   | –                                  |
| Recognition of equity-settled<br>share-based payments     | –                                   | –                                    | 2,665  | –                                       | –   | –  | 2,665  | –   | 2,665                              |
| Lapsed share options                                      | –                                   | –                                    | (127)  | –                                       | –   | 127                                      | –  | –   | –                                  |
| As at 30 September 2020                                   | <u>144,480</u>                      | <u>(1,357)</u>                       | <u>6,673</u>   | <u>1,643</u>                            | <u>239</u>                                | <u>(101,074)</u>                         | <u>50,604</u>  | <u>2,309</u>  | <u>52,913</u>                      |
| <b>As at 1 January 2021</b>                               | <b>161,112</b>                      | <b>(1,357)</b>                       | <b>7,000</b>   | <b>1,647</b>                            | <b>669</b>                                | <b>(121,503)</b>                         | <b>47,568</b>  | <b>3,655</b>  | <b>51,223</b>                      |
| Loss for the period                                       | –                                   | –                                    | –  | –                                       | –   | (18,311)                                 | (18,311)   | (1,490)   | (19,801)                           |
| Other comprehensive income:                               |                                     |                                      |  |   |   |  |  |   |                                    |
| Exchange differences on translating<br>foreign operations | –                                   | –                                    | –  | –                                       | 88  | –  | 88   | 80  | 168                                |
| Total comprehensive income/(loss)<br>for the period       | –                                   | –                                    | –  | –                                       | 88  | (18,311)                                 | (18,223)   | (1,410)   | (19,633)                           |
| Issue of new shares by way of placements                  | 27,647                              | –                                    | –  | –                                       | –   | –  | 27,647   | –   | 27,647                             |
| Transaction cost attributable to issue of shares          | (407)                               | –                                    | –  | –                                       | –   | –  | (407)  | –   | (407)                              |
| Recognition of equity-settled<br>share-based payments     | –                                   | –                                    | 846  | –                                       | –   | –  | 846  | –   | 846                                |
| As at 30 September 2021                                   | <u>188,352</u>                      | <u>(1,357)</u>                       | <u>7,846</u>   | <u>1,647</u>                            | <u>757</u>                                | <u>(139,814)</u>                         | <u>57,431</u>  | <u>2,245</u>  | <u>59,676</u>                      |

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

The unaudited condensed consolidated financial statements of the Group for the three months and nine months ended 30 September 2021 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 2021.

## 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 2020 (the “**2020 annual financial statements**”).

These unaudited condensed consolidated financial statements have been prepared with the same accounting policies adopted in the 2020 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 2021. 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**”).

### 3. FINANCE COSTS

|  | Unaudited         |                 |                    |                 |
|--|-------------------|-----------------|--------------------|-----------------|
|  | Nine months ended |                 | Three months ended |                 |
|  | 30 September      |                 | 30 September       |                 |
|  | 2021              | 2020            | 2021               | 2020            |
|  | <i>HK\$'000</i>   | <i>HK\$'000</i> | <i>HK\$'000</i>    | <i>HK\$'000</i> |
| Interest expenses on other borrowing   | 39                | –               | 27                 | –               |
| Interest expenses on lease liabilities | 53                | 56              | 25                 | 21              |
|  | <u>92</u>         | <u>56</u>       | <u>52</u>          | <u>21</u>       |

### 4. INCOME TAX EXPENSE

The amount of the income tax expense represents the following:

|             | Unaudited         |                 |                    |                 |
|-------------|-------------------|-----------------|--------------------|-----------------|
|             | Nine months ended |                 | Three months ended |                 |
|             | 30 September      |                 | 30 September       |                 |
|             | 2021              | 2020            | 2021               | 2020            |
|             | <i>HK\$'000</i>   | <i>HK\$'000</i> | <i>HK\$'000</i>    | <i>HK\$'000</i> |
| Current tax | <u>4</u>          | <u>–</u>        | <u>–</u>           | <u>–</u>        |

Hong Kong Profits Tax is calculated at 16.5% (for the three months and nine months ended 30 September 2020: 16.5%) on the estimated assessable profits for the three months and nine months ended 30 September 2021. 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 three months and nine months ended 30 September 2021.

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 three months and nine months ended 30 September 2021.

## 5. DIVIDEND

The Board does not recommend the payment of any dividend of the Company for the nine months ended 30 September 2021 (for the nine months ended 30 September 2020: 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  |                    | Three months ended |                    |
|  | 30 September       |                    | 30 September       |                    |
|  | 2021               | 2020               | 2021               | 2020               |
|  | <i>HK\$'000</i>    | <i>HK\$'000</i>    | <i>HK\$'000</i>    | <i>HK\$'000</i>    |
| <b>Loss</b>                                  |                    |                    |                    |                    |
| Loss for the purpose of basic loss per share | <u>(18,311)</u>    | <u>(26,431)</u>    | <u>(5,750)</u>     | <u>(8,043)</u>     |
| <b>Number of shares</b>                      |                    |                    |                    |                    |
| Weighted average number of ordinary shares   |                    |                    |                    |                    |
| for the purpose of basic loss per share      | <u>712,943,000</u> | <u>576,170,000</u> | <u>755,779,000</u> | <u>576,170,000</u> |

Diluted loss per share for loss attributable to owners of the Company for the three months and nine months ended 30 September 2021 and 2020 was the same as basic loss per share because the impact of the exercise of share options is anti-dilutive.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Business Review

For the nine months ended 30 September 2021 (“**Q3 2021**” or “**Current Period**”), the Group’s principal activities were broadly divided into the sales of metals in Hong Kong, provision of education management services in the mainland of the People’s Republic of China (the “**PRC Mainland**”) and provision of money lending services in Hong Kong.

### *Sales of metals*

As of Q3 2021, the global COVID-19 pandemic has been mitigated by increasing vaccine efforts in various countries on the one hand. However, on the other hand, due to the recurrence of the pandemic brought by the rapid spread of the virus variants and the “coexistence with the virus” strategy adopted by some countries, the market was still full of instability and uncertainty in the balance between pandemic prevention and economic promotion. With the U.S. government’s significant increase in expenditure in trillions of dollars and the U.S. Federal Reserve’s adoption of quantitative easing monetary stimulus policy with large-amount purchases of bonds, the international gold and silver prices have been fluctuating sharply at a high level during the Current Period, coupled with the impact of the pandemic on the economy and employment, the demand for physical gold and silver was very weak. During the Current Period, the supply of silver scrap (non-standard) products remained scarce, which intensified the market competition for supply, and the still unstable domestic and foreign logistics together with soaring energy prices and freight rates increased risks in the business of silver smelting and trading.

The COVID-19 pandemic in Hong Kong subsided during the Current Period, but the condition of the global import and export logistics industry has not improved significantly and the trade settlement risk was still high. The Group has endeavoured to seek other business opportunities in this business segment during the Current Period. However, the Group 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, sales revenue from this business segment during the Current Period was approximately HK\$5.35 million. Although the performance of this business segment is not likely to be optimistic in the next quarter, we believe that market conditions may improve if the impact of the COVID-19 pandemic becomes more controllable and alleviated (for the nine months ended 30 September 2020: approximately HK\$4.25 million).

### *Provision of education management services*

During the Current Period, 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. During the Current Period, this business segment contributed approximately HK\$3.91 million in revenue to the Group (for the nine months ended 30 September 2020: approximately HK\$2.18 million).



In 2019, the Group introduced the education management service business, which realized returns during the same year when it was introduced and increased the Group's revenue. At that time, based on the strategic arrangement, the Board planned ahead and entered into service agreements with different educational institutions, including education and training institutions as the overall incubation and market deployment of our education management service business, with a view to strengthening the sustainable development of subsequent related businesses. In 2020, due to the outbreak of the COVID-19 pandemic, schools and education and training institutions had been subject to the mainland government's quarantine, no-gathering order and other measures to varying degrees. They have been greatly affected, and experienced a sharp decrease in their business volume.

In 2021, the government's new policies on the rectification and reform of education burst out. One after another, on 14 May 2021, Decree No. 741 of the State Council of the PRC issued the Regulations on the Implementation of the Non-state Education Promotion Law of the People's Republic of China (《中華人民共和國民辦教育促進法實施條例》)(the "**New Non-state Education Promotion Law**") for implementation. On 4 July 2021, the Education Department of Sichuan Province, the Sichuan Provincial Development and Reform Commission, the Sichuan Provincial Finance Department, and the Administration for Market Regulation of Sichuan Province jointly issued the Notice on Further Strengthening and Standardizing the Management of Education Fees (《關於進一步加強和規範教育收費管理的通知》) and introduced "ten prohibitions" for the rectification and reform of education. On 24 July 2021, the General Office of the CPC Central Committee and the General Office of the State Council jointly issued the Opinions on Further Reducing the Burden of Compulsory Education Students' Homework and Off-campus Training (《關於進一步減輕義務教育階段學生作業負擔和校外培訓負擔的意見》)(the "**Double Reduction Opinions**"). As a result, educational institutions are teetering, and the overall education industry in the Mainland has entered a period of reform and rectification, which has caused major shocks to schools and education and training institutions, and made their revenue decline significantly, and some even have shut down. Our education management service business had also been materially affected, and our revenue had been significantly reduced. Five education and training cooperative institutions that we have deployed in the market could not survive under the above-mentioned environment and policies, and had no choice but were forced to shut down. Therefore, Loco Yahui has arranged to negotiate and entered into agreements with the five training institutions to terminate the respective education management service during the Current Period. As the five training institutions have contributed little to our education management service business revenue since 2020, the Board expects that the above arrangement will not have a significant impact on the future income of the education management service business, nor will it affect Loco Yahui's current provision of education management and consulting services for other existing schools and training institutions, which is in line with the interests of the Group as a whole. The Board also believes that the government's reform and rectification of education are in line with the correct direction of the current national education development, and the Group shall understand and support it while maintaining a high degree of compliance and legality to achieve the healthy development of the project business.

In terms of the business segment of education management service, due to the complexity of regulatory environment and major policy uncertainties for the education industry in the PRC Mainland, we expect that the education management service business will face more severe challenges in the future.

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

As of Q3 2021, due to the recurrence of the global COVID-19 pandemic, the economic recovery in Europe, America and Asia Pacific, including the PRC Mainland, has slowed down. Due to rising commodity prices, increasing logistics and transportation costs, and supply chain shortages, the environment for individual employment and business operation remained grim. 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 forecast, the Group adopted a more prudent approach in selecting qualified credit applicants for potential business opportunities to strictly control risks. Therefore, no revenue was recorded in this business segment in Q3 2021 (for the nine months ended 30 September 2020: approximately HK\$10,000).

### **Outlook**

Given that the current uncertainty of the global pandemic continues to affect demand recovery and supply chain stability, the social and economic situation in the PRC Mainland and the world remains extremely severe. The Group's various businesses require cautious assessment and robust risk control when the global pandemic is not yet under control. In the PRC Mainland, with the implementation and strict supervision of the New Non-state Education Promotion Law and the "Double Reduction Opinions", the education and training industry is facing complex and severe challenges. We will pay close attention to the ever-changing policy and regulatory environment. Our business model and related arrangements will be adjusted in response to the government's new education policies. We will strive to seek market opportunities related to the sales of metals, adjust the education management service business on an as-needed basis, manage the money lending business carefully, 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 nine months ended 30 September 2021, the Group had a total revenue of approximately HK\$9.3 million (for the nine months ended 30 September 2020: approximately HK\$6.4 million), representing an increase of approximately 45.3% as compared with the nine months ended 30 September 2020. For the nine months ended 30 September 2021, the Group recorded a loss of approximately HK\$19.8 million (for the nine months ended 30 September 2020: approximately HK\$27.4 million), representing a decrease of approximately 27.7% as compared with the nine months ended 30 September 2020. The decrease in loss was mainly attributable to net effect of:

- (i) an increase in the Group's total revenue of approximately HK\$2.9 million as discussed in above;
- (ii) the carrying value of inventories sold was recognised approximately HK\$5.4 million (for the nine months ended 30 September 2020: approximately HK\$4.1 million);
- (iii) no fair value loss on investment in unlisted equity securities was recognised (for the nine months ended 30 September 2020: approximately HK\$2.5 million);
- (iv) no provision of loss allowance provided on loan receivable during current period (for the nine months ended 30 September 2020: approximately HK\$1.4 million); and
- (v) a decrease in employee costs of approximately HK\$2.2 million.

For the nine months ended 30 September 2021, the Group's loss attributable to owners of the Company was approximately HK\$18.3 million, as compared to the loss attributable to owners of the Company of approximately HK\$26.4 million for the nine months ended 30 September 2020.

## 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 2021, no gearing ratio was presented as the Group has net cash surplus (31 December 2020: net cash surplus).

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

As at 30 September 2021, no Group's asset was pledged as security (31 December 2020: Nil).

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

As at 30 September 2021, 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 2021, the Group did not have any significant investments, acquisitions and disposals.

## **Capital commitment**

As at 30 September 2021, the Group did not have any significant capital commitment (31 December 2020: 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 2021, 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 2020: Nil) and there has not been any material change in the contingent liabilities of the Group since 30 September 2021.

## OTHER INFORMATION

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

As at 30 September 2021, 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<br>(Note 1) | Total     | Approximate percentage of shareholding<br>(Note 2) |
|---|---------------------|--------------------------------|--|-----------|--|
| <b>Executive Directors:</b>                 |                     |                                |  |           |  |
| Mr. Wang Wendong                            | Beneficial owner    | –                              | 5,700,000  | 5,700,000 | 0.69%  |
| Mr. Fung Chi Kin                            | Beneficial owner    | –                              | 5,700,000  | 5,700,000 | 0.69%  |
| <b>Independent Non-Executive Directors:</b> |                     |                                |  |           |  |
| Mr. Zhou Tianshu                            | Beneficial owner    | –                              | 570,000  | 570,000   | 0.07%  |
| Ms. Wu Liyan                                | Beneficial owner    | –                              | 570,000  | 570,000   | 0.07%  |
| Ms. Wong Susan Chui San                     | Beneficial owner    | –                              | 570,000  | 570,000   | 0.07%  |

*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 829,404,000 shares as at 30 September 2021.

**(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 1.1.2021                    | Granted  | Exercised | Cancelled | Lapsed   | Outstanding as at 30.9.2021 |
| Mr. Wang Wendong        | 27.8.2019     | 0.616                         | 27.8.2019 – 26.8.2022<br><i>(Note 1)</i> | 5,700,000                                     | –        | –         | –         | –        | 5,700,000                   |
| Mr. Fung Chi Kin        | 27.8.2019     | 0.616                         | 27.8.2019 – 26.8.2022<br><i>(Note 1)</i> | 5,700,000                                     | –        | –         | –         | –        | 5,700,000                   |
| Mr. Zhou Tianshu        | 27.8.2019     | 0.616                         | 27.8.2019 – 26.8.2022<br><i>(Note 1)</i> | 570,000                                       | –        | –         | –         | –        | 570,000                     |
| Ms. Wu Liyan            | 27.8.2019     | 0.616                         | 27.8.2019 – 26.8.2022<br><i>(Note 1)</i> | 570,000                                       | –        | –         | –         | –        | 570,000                     |
| Ms. Wong Susan Chui San | 27.8.2019     | 0.616                         | 27.8.2019 – 26.8.2022<br><i>(Note 1)</i> | 570,000                                       | –        | –         | –         | –        | 570,000                     |
|                         |               |                               |  | -----   | -----    | -----     | -----     | -----    | -----                       |
|                         |               |                               |  | <u>13,110,000</u>                             | <u>–</u> | <u>–</u>  | <u>–</u>  | <u>–</u> | <u>13,110,000</u>           |

*Note 1:* 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.

**Short Positions**

As at 30 September 2021, 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 2021, 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<br>(Note 1) |
|---------------|---------------------|---------------------------|--|
| Hon Pok       | Beneficial owner    | 76,000,000                | 9.16%  |
| Poon Lai      | Beneficial owner    | 55,300,000                | 6.67%  |
| Zhang Bo      | Beneficial owner    | 45,000,000                | 5.43%  |
| Fung Ping Tak | Beneficial owner    | 55,000,000                | 6.63%  |
| Poon Kwan Ho  | Beneficial owner    | 46,000,000                | 5.55%  |
| So Hing Sang  | Beneficial owner    | 41,964,000                | 5.06%  |
| Liu Chengnan  | Beneficial owner    | 41,960,000                | 5.06%  |
| Wong Man Na   | Beneficial owner    | 41,960,000                | 5.06%  |

*Note 1:* The approximate percentage of shareholding was calculated based on the total number of ordinary shares of the Company in issue, being 829,404,000 shares as at 30 September 2021.

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 2021.

## 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<br>HK\$ | Exercise period              | Number of share options and underlying shares |          |           |           |          | Outstanding as at 30.9.2021 |
|----------------------|------------|----------------------------------|------------------------------|---|----------|-----------|-----------|----------|-----------------------------|
|                      |            |                                  |                              | Outstanding as at 1.1.2021                    | Granted  | Exercised | Cancelled | Lapsed   |                             |
| Directors            | 27.8.2019  | 0.616                            | 27.8.2019 – 26.8.2022 (Note) | 13,110,000                                    | -        | -         | -         | -        | 13,110,000                  |
| Employees            | 10.4.2015  | 0.78                             | 10.4.2015 – 9.4.2025         | 160,000                                       | -        | -         | -         | -        | 160,000                     |
|                      | 27.8.2019  | 0.616                            | 27.8.2019 – 26.8.2022 (Note) | 23,500,000                                    | -        | -         | -         | -        | 23,500,000                  |
| Others               | 10.4.2015  | 0.78                             | 10.4.2015 – 9.4.2025         | 120,000                                       | -        | -         | -         | -        | 120,000                     |
|                      |            |                                  |                              | <u>36,890,000</u>                             | <u>-</u> | <u>-</u>  | <u>-</u>  | <u>-</u> | <u>36,890,000</u>           |

*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.



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\$0.8 million for the nine months ended 30 September 2021 (for the nine months ended 30 September 2020: approximately HK\$2.7 million) in relation to share options granted by the Company.

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

On 19 August 2021, the Company allotted and issued a total of 138,234,000 fully paid new shares by the way of placing at a price of HK\$0.2 per share.

Save as disclosed above, during the nine months ended 30 September 2021, 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 2021, 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**

### **Corporate Governance Code**

During the nine months ended 30 September 2021, 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 2021.

## **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 announcement, 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 announcement, including the unaudited condensed consolidated financial statements of the Group for the three months and nine months ended 30 September 2021, 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 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.*