

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



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 2022

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 Stock Exchange’s website at www.hkexnews.hk for at least seven days from the day 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 presents the unaudited condensed consolidated financial statements of the Group for the three months and nine months ended 30 September 2022, together with the comparative unaudited figures for the corresponding periods in 2021, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2022

	Notes	Unaudited			
		Nine months ended		Three months ended	
		2022	2021	2022	2021
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue					
– Sales of metal		16,225	5,349	5,914	3,567
– Education management services		5,283	3,914	3,459	538
		<u>21,508</u>	<u>9,263</u>	<u>9,373</u>	<u>4,105</u>
Trading gains on commodity forward contracts		59	22	19	26
Other income		523	73	143	6
		<u>22,090</u>	<u>9,358</u>	<u>9,535</u>	<u>4,137</u>
Carrying value of inventories sold		(16,173)	(5,361)	(5,851)	(3,560)
Change in fair value of commodity inventory		(26)	(31)	(9)	(27)
Depreciation of property, plant and equipment		(917)	(914)	(301)	(283)
Depreciation of right-of-use assets		(1,728)	(2,060)	(466)	(576)
Employee costs		(10,352)	(13,811)	(3,327)	(4,139)
Gain on disposal of other financial asset		50	–	–	–
Other operating expenses		(10,933)	(5,815)	(3,018)	(1,814)
Provision of loss allowance on trade and other receivables		(162)	(221)	(130)	(16)
Rental expenses		(1,061)	(947)	(336)	(307)
Share of (loss)/profit of an associate		(3,388)	97	(1,522)	18
Finance costs	3	(76)	(92)	(21)	(52)
		<u>(22,676)</u>	<u>(19,797)</u>	<u>(5,446)</u>	<u>(6,619)</u>
Loss before income tax expense					
Income tax expense	4	–	(4)	–	–
		<u>(22,676)</u>	<u>(19,801)</u>	<u>(5,446)</u>	<u>(6,619)</u>

		Unaudited			
		Nine months ended		Three months ended	
		30 September		30 September	
		2022	2021	2022	2021
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period attributable to:					
	– Owners of the Company	(21,636)	(18,311)	(5,446)	(5,750)
	– Non-controlling interests	(1,040)	(1,490)	–	(869)
		<u>(22,676)</u>	<u>(19,801)</u>	<u>(5,446)</u>	<u>(6,619)</u>
	Loss for the period	(22,676)	(19,801)	(5,446)	(6,619)
Other comprehensive (loss)/income					
Item that may be reclassified					
subsequently to profit or loss:					
Exchange differences on translating					
	foreign operations	(1,255)	168	(767)	11
	Total comprehensive loss	<u>(23,931)</u>	<u>(19,633)</u>	<u>(6,213)</u>	<u>(6,608)</u>
	for the period				
Total comprehensive loss					
for the period attributable to:					
	– Owners of the Company	(22,927)	(18,223)	(6,213)	(5,744)
	– Non-controlling interests	(1,004)	(1,410)	–	(864)
		<u>(23,931)</u>	<u>(19,633)</u>	<u>(6,213)</u>	<u>(6,608)</u>
		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
	Basic and diluted loss per share	<u>(2.61)</u>	<u>(2.57)</u>	<u>(0.66)</u>	<u>(0.76)</u>
	6				

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2022

	Unaudited								
	Share capital HK\$'000	Merger reserve HK\$'000	Equity-settled share-based payment reserve HK\$'000	Statutory reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Equity attributable to owners of the Company HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
As at 1 January 2021	161,112	(1,357)	7,000	1,647	669	(121,503)	47,568	3,655	51,223
Loss for the period	-	-	-	-	-	(18,311)	(18,311)	(1,490)	(19,801)
Other comprehensive income:									
Exchange differences on translating foreign operations	-	-	-	-	88	-	88	80	168
Total comprehensive income/(loss) 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 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>
As at 1 January 2022	188,348	(1,357)	7,846	1,647	874	(150,642)	46,716	1,004	47,720
Loss for the period	-	-	-	-	-	(21,636)	(21,636)	(1,040)	(22,676)
Other comprehensive (loss)/income:									
Exchange differences on translating foreign operations	-	-	-	-	(1,291)	-	(1,291)	36	(1,255)
Total comprehensive loss for the period	-	-	-	-	(1,291)	(21,636)	(22,927)	(1,004)	(23,931)
As at 30 September 2022	<u>188,348</u>	<u>(1,357)</u>	<u>7,846</u>	<u>1,647</u>	<u>(417)</u>	<u>(172,278)</u>	<u>23,789</u>	<u>-</u>	<u>23,789</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 metal business in Hong Kong and the mainland of the People’s Republic of China (the “**PRC Mainland**”), provision of education management services in 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 2022 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 14 November 2022.

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 2021 (the “**2021 annual financial statements**”).

These unaudited condensed consolidated financial statements have been prepared with the same accounting policies adopted in the 2021 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 2022. 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	
	2022	2021	2022	2021
	<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	<u>76</u>	<u>53</u>	<u>21</u>	<u>25</u>
	<u>76</u>	<u>92</u>	<u>21</u>	<u>52</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	
	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax	<u>–</u>	<u>(4)</u>	<u>–</u>	<u>–</u>

Hong Kong Profits Tax is calculated at 16.5% (for the three months and nine months ended 30 September 2021: 16.5%) on the estimated assessable profits for the three months and nine months ended 30 September 2022. 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 2022.

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 2022 (for the three months and nine months ended 30 September 2021: 25%).

5. DIVIDEND

The Board does not recommend the payment of any dividend of the Company for the nine months ended 30 September 2022 (for the nine months ended 30 September 2021: 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	
	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss				
Loss attributable to owners of the Company	<u>(21,636)</u>	<u>(18,311)</u>	<u>(5,446)</u>	<u>(5,750)</u>
Number of shares				
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<u>829,404,000</u>	<u>712,943,000</u>	<u>829,404,000</u>	<u>755,779,000</u>

Diluted loss per share for loss attributable to owners of the Company for the three months and nine months ended 30 September 2022 and 2021 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 2022 (“**Q3 2022**” or “**Current Period**”), the Group’s principal activities were broadly divided into the trading of metal in Hong Kong and the PRC Mainland, provision of education management services in the PRC Mainland and provision of money lending services in Hong Kong.

Trading of metal

As of Q3 2022, global economy development is still subject to complex and grim negative expectations due to the combined impact of continued inflation and interest rate hikes in major economies, geopolitical conflicts and the ongoing pandemic.

In September 2021, the Group took the opportunity of the second Sichuan-Hong Kong High-level Cooperation Summit held in Chengdu to establish contact with a company engaged in the metal industry chain and supply chain business in Sichuan Province, namely Chengdu Zhonghuan Fulin Trading Co., Ltd.* (成都中環福霖商貿有限公司) (“**Zhonghuan Fulin**”), the information collection unit of Hardware and Electromechanical Index in the PRC Mainland and the supply chain unit of hardware and electromechanical standard parts in Sichuan Province. In early March 2022, Sichuan Loco Metal Technology Co., Ltd.* (四川港銀金屬科技有限公司) (“**Sichuan Loco**”), a wholly-owned subsidiary of the Group, entered into a cooperation agreement with Zhonghuan Fulin and on 18 May 2022, the two parties further entered into a supplemental agreement (the “**Supplemental Agreement**”). Pursuant to the Supplemental Agreement, Sichuan Loco agreed to sell, and Zhonghuan Fulin agreed to purchase, metal products within the business scope of Sichuan Loco, including but not limited to steel, metal components and steel fastener materials. For details, please refer to the voluntary announcement of the Company dated 18 May 2022.

During the Current Period, the pandemic in the PRC Mainland continued to be characterized by sporadic, widespread and frequent outbreaks. The outbreak of the pandemic in Shanghai in March 2022 led to the suspension of factories in Shanghai, Jiangsu and Zhejiang and the surrounding Yangtze River Delta core areas, resulting in the suspension or disruption of logistics, supply chain and industrial chain until the initial control of the pandemic in June and July, when the production of factories gradually resumed and the supply chain and industrial chain were also gradually recovering. The Group seized the opportunity to complete the delivery and performance of several orders and contracts with Zhonghuan Fulin, laying a good foundation of mutual trust for subsequent business development.

* *English name for identification purpose only*

While the Group's metal business in the PRC Mainland was gearing up to increase its pace, in August 2022, Sichuan Province, a key area of the Group's metal business in the PRC Mainland, experienced power blackouts caused by rare and continuous high temperature and drought, forcing many production and manufacturing industries to shut down. Immediately afterwards in early September, earthquakes of great magnitude struck near Chengdu, Sichuan, and local production and logistics in Chengdu were again interrupted due to the ongoing "city-wide static management" (lockdown management) triggered by the pandemic from early to late September. The unexpected and extreme environmental climate and the recurrence of COVID-19 had a significant impact on the normal operations and revenue of this business segment.

Nevertheless, as of Q3 2022, the Group's metal trading business achieved a significant improvement in overall revenue compared to the same period in last year, which is a remarkable achievement, with sales revenue from this business segment amounting to approximately HK\$16.23 million (for the nine months ended 30 September 2021: approximately HK\$5.35 million). The continued growth in revenue from metal business underlined the Group's effort to further develop the metal business. Meanwhile, the Group is still striving to continuously develop new customers and the Group is confident that it will be able to further improve and expand its metal business as the pandemic and economy gradually recover.

Education management

As of Q3 2022, our wholly-owned subsidiary, Sichuan Loco Yahui Education Management Limited* (四川港銀雅匯教育管理有限公司) ("**Loco Yahui**"), was principally engaged in the provision of education management services to different schools in the PRC Mainland.

In view of the government's new policy of rectification and reform of education, the Group has made timely improvements and adjustments to the development strategy of its education management business since this year. Loco Yahui has entered into an education management agreement with an institution that provides humanistic well-rounded education in Chengdu, which mainly provides Arts & Physical education ("PE"), arts and other courses for students at all stages (kindergarten, school students, adult continuing education) to improve humanistic well-rounded education. (For details, please refer to the voluntary announcement of the Company dated 7 June 2022). Meanwhile, Loco Yahui also entered into a management service agreement with a distributor of educational textbooks and books in the PRC Mainland to help such client improve the integration of educational books market resources in the education field and develop new educational books distribution market. The two parties also discussed the possibility of further cooperation. This will contribute to the development and full-year revenue of the Group's education business.

As mentioned above, the ongoing city-wide lockdown and static management in Chengdu, a key area of the Group's education management business, due to the pandemic in September 2022 had a significant impact on this business segment, which was mainly reflected in the delay in our revenue window (i.e. September is originally the start of the new semester and schools and educational institutions also charge fees in September. However, due to the pandemic, collection of school fees was delayed until after 30 September); therefore, the revenue of the education management business in the third quarter was greatly affected. However, as mentioned above, the education management business as a whole continued to progress in line with expectations thanks to the Group's new strategy and initiatives for the education management business, and the management service contracts entered into are being properly fulfilled. As of Q3 2022, the Group's education management service business recorded a great improvement in overall revenue compared to the same period in last year, with this business segment contributing revenue of approximately HK\$5.28 million to the Group (for the nine months ended 30 September 2021: approximately HK\$3.91 million).

We will still pay close attention to the policy trends and regulatory environment, and further optimize and adjust its business model and related arrangements in response to the government's new policies on the rectification and reform of education.

Provision of money lending services

As of Q3 2022, due to a series of uncertainties such as Russia-Ukraine conflict, high global inflation and continuous interest rate hikes, the global economic and social development faced downward pressure and negative expectations, and the environment for personal employment and business operation is still severe. Similarly, the market conditions in the PRC Mainland were also affected. Therefore, we believed that the credit risk in our money lending services remains high. Due to the uncertain economic situation and business outlook, the Group strictly adheres to a prudent credit assessment and review policy and assesses the creditworthiness of existing and potential customers in a timely manner based on the prevailing market conditions and the respective background of the customers. As the prevailing uncertain economic conditions would affect asset valuation projections, business forecasts and individual repayment capacity projections, the Group has adopted further enhanced risk control measures and prudent evaluation and lending policies in selecting qualified credit applicants for potential business opportunities. However, we will conduct this business accordingly when the time comes.

Therefore, no revenue was recorded in this business segment during the Current Period (for the nine months ended 30 September 2021: Nil).

Outlook

Given that the international situation and the international economic environment have become more complex and severe and the pandemic is resurging, coupled with geopolitical conflicts, high inflation and continuous interest rate hikes, the operating environment of the Group's metal business and its various business aspects still face complex and changeable situations. Nevertheless, the Group continued to work diligently to fulfill signed agreements and contractual orders, and strived to continuously develop new customers, resulting in sustainable and steady growth of the metal business. Meanwhile, the metal business will benefit from the orderly restart of production in the domestic economy and the State's package of policies to stabilize the economy and investment, and demand for commodity orders in the domestic metal market is expected to rise further in the future. We will continue to uphold the strategy of active efforts and continuous expansion of our main business, highly pay attention to the risk control and choose partners carefully, and vigorously expand the metal industry chain and supply chain business within the PRC Mainland on the basis of the current trading of metal business. The Group's money lending business still requires cautious assessment and robust risk control. For the education management industry, we have made optimizations in a timely manner, strengthened the Arts & PE and humanistic well-rounded education-related businesses encouraged by national policies, and actively expanded the upstream and downstream business opportunities in the education management business field to promote the development and profitability of the Group's education management business. We will continue to pay close attention to the policy trends and regulatory environment, and further optimize and adjust in response to the government's new policies on the rectification and reform of education. 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 2022, the Group had a total revenue of approximately HK\$21.5 million (for the nine months ended 30 September 2021: approximately HK\$9.3 million), representing an increase of approximately 131.2% as compared with the nine months ended 30 September 2021. For the nine months ended 30 September 2022, the Group recorded a loss of approximately HK\$22.7 million (for the nine months ended 30 September 2021: approximately HK\$19.8 million), representing an increase of approximately 14.6% as compared with the nine months ended 30 September 2021. The increase in loss was mainly attributable to net effect of:

- (i) an increase in the Group's total revenue of approximately HK\$12.2 million as discussed in above;
- (ii) the carrying value of inventories sold was recognised approximately HK\$16.2 million (for the nine months ended 30 September 2021: approximately HK\$5.4 million);
- (iii) share of loss of an associate approximately HK\$3.4 million (for the nine months ended 30 September 2021: share of profit of an associate approximately HK\$0.1 million);
- (iv) a decrease in employee costs of approximately HK\$3.5 million; and
- (v) an increase in other operating expenses of approximately HK\$5.1 million.

For the nine months ended 30 September 2022, the Group's loss attributable to owners of the Company was approximately HK\$21.6 million, as compared to the loss attributable to owners of the Company of approximately HK\$18.3 million for the nine months ended 30 September 2021.

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 2022, no gearing ratio was presented as the Group has net cash surplus (31 December 2021: net cash surplus).

Charge on the Group's assets

As at 30 September 2022, no Group's asset was pledged as security (31 December 2021: Nil).

Future Plan for Material Investments and Capital Assets

As at 30 September 2022, 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 2022, the Group did not have any significant investments, acquisitions and disposals.

Capital commitment

As at 30 September 2022, the Group did not have any significant capital commitment (31 December 2021: 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 2022, 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 2021: Nil) and there has not been any material change in the contingent liabilities of the Group since 30 September 2022.

OTHER INFORMATION

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

As at 30 September 2022, no 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")), were 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.

Interests in share options relating to ordinary shares of the Company

Name of Directors	Date of grant	Exercise price per share HK\$	Exercise period	Number of share options and underlying shares					Outstanding as at 30.9.2022
				Outstanding as at 1.1.2022	Granted	Exercised	Cancelled	Lapsed	
Mr. Wang Wendong	27.8.2019	0.616	27.8.2019 – 26.8.2022 (Note 1)	5,700,000	–	–	–	(5,700,000)	–
Mr. Fung Chi Kin	27.8.2019	0.616	27.8.2019 – 26.8.2022 (Note 1)	5,700,000	–	–	–	(5,700,000)	–
Mr. Zhou Tianshu	27.8.2019	0.616	27.8.2019 – 26.8.2022 (Note 1)	570,000	–	–	–	(570,000)	–
Ms. Wu Liyan	27.8.2019	0.616	27.8.2019 – 26.8.2022 (Note 1)	570,000	–	–	–	(570,000)	–
Ms. Wong Susan Chui San	27.8.2019	0.616	27.8.2019 – 26.8.2022 (Note 1)	570,000	–	–	–	(570,000)	–
				<u>13,110,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(13,110,000)</u>	<u>–</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 2022, 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 2022, the following persons/entities (other than the Directors and the chief executive of the Company as disclosed above) have interest or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name	Nature of interests	Number of ordinary shares	Approximate percentage of shareholding (Note 1)
Hon Pok	Beneficial owner	76,000,000	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 2022.

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 2022.

SHARE OPTIONS

The Company adopted a share option scheme on 22 July 2014 (the “**Share Option Scheme**”), a summary of the share options granted under the Share Option Scheme are as follows:

Type of participants	Grant date	Exercise price per share HK\$	Exercise period	Number of share options and underlying shares					Outstanding as at 30.9.2022
				Outstanding as at 1.1.2022	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>(36,610,000)</u>	<u>280,000</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 did not recognised employee costs for the nine months ended 30 September 2022 (for the nine months ended 30 September 2021: approximately HK\$0.8 million) in relation to share options granted by the Company.

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

During the nine months ended 30 September 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

EVENTS AFTER THE REPORTING PERIOD

The Company has received a letter from the Stock Exchange notifying the Company that the Listing Division of the Stock Exchange has decided that the Company has failed to maintain a sufficient level of operations and assets required under Rule 17.26 of the GEM Listing Rules to warrant the continued listing of its shares, and that trading in the Company's shares shall be suspended on 9 November 2022 under Rule 9.04(3) of the GEM Listing Rules (the “**Decision**”) unless the Company applies for a review of the Decision. The Company has submitted a written request to the Stock Exchange for the Decision to be referred to the GEM Listing Committee for review pursuant to Chapter 4 of the GEM Listing Rules. Accordingly, trading in the shares of the Company will continue. Please refer to the Company's announcements dated 31 October 2022 and 8 November 2022 for details.

COMPETITION AND CONFLICT OF INTEREST

During the nine months ended 30 September 2022, 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 2022, to the best knowledge of the Board, the Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules (the “**Code Provisions**”), save for the deviation from C.2.1 of the Code Provisions as explained below.

C.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 2022.

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 D.3.3 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 report, including the unaudited condensed consolidated financial statements of the Group for the three months and nine months ended 30 September 2022, 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, 14 November 2022

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.