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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)

DISCLOSEABLE TRANSACTION
DISPOSAL OF
UNLISTED EQUITY SECURITIES

THE DISPOSAL

The Board announces that on 29 December 2023, the Vendor (an indirect wholly-owned subsidiary of the Company) entered into the Agreement with the Purchaser regarding the sale of the Unlisted Equity Securities to the Purchaser at the Consideration of HK\$4,300,000.

Following Completion, the Company will cease to have any interest in the Target Company.

GEM LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under Rule 19.07 of the GEM Listing Rules) in respect of the Disposal is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 19 of the GEM Listing Rules.

INTRODUCTION

The Board announces that on 29 December 2023, the Vendor (an indirect wholly-owned subsidiary of the Company) entered into the Agreement with the Purchaser regarding the sale of the Unlisted Equity Securities to the Purchaser.

THE AGREEMENT

The principal terms of the Agreement are set out as follows:

Date

29 December 2023

Parties

- (i) the Vendor (an indirect wholly-owned subsidiary of the Company); and
- (ii) the Purchaser.

Assets to be disposed of

Pursuant to the Agreement, the Vendor has agreed to sell, and the Purchaser has agreed to purchase, the Unlisted Equity Securities.

Consideration and payment

The Consideration amount is HK\$4,300,000 and will be payable by the Purchaser in cash to a designated bank account of the Vendor, within 3 days from the date of the Agreement.

The Consideration was determined by the parties to the Agreement after arm's length negotiations with reference to the valuation of the Unlisted Equity Securities (the "**Valuation**") at HK\$4,276,000 as appraised by independent valuer, Valplus Consulting Limited (the "**Valuer**"), using the benchmark date of 30 September 2023 (the "**Valuation Benchmark Date**") in accordance with the International Valuation Standards. The Valuer has compared the price-to-book ratio ("**P/B ratio**") of the Target Company under the market approach with those of six listed companies identified on the Stock Exchange which operate business similar to the Target Company in the Greater China region, with going concern and no material change assumptions and lack-of-marketability discount.

The Valuation

Basis and methodology of the Valuation

The fair value of Unlisted Equity Securities of HK\$4,276,000 as at the Valuation Benchmark Date is determined by the Valuer using the market approach. The Valuer has also considered asset approach and income approach. However, according to the Valuer, asset approach is not appropriate as it ignores the future economic benefits of the business as a whole and income approach is not appropriate as (i) the Target Company has been suffering from gross loss since financial year ended 31 December 2022 and thus the Valuer considered that the use of recent track-record operating data was not sufficient to form a reliable and solid basis of projections; and (ii) the use of projections would involve a high level of uncertain, long-term forecast estimates and underlying assumptions. In view of above, the Valuer therefore solely relied on the market approach in determining their opinion on value.

Under the market approach, the Valuer considered that the comparable transaction method was not recommended as there are insufficient direct comparable transactions in the market to form a reliable opinion on value; and the guideline public company method was adopted as there are certain publicly traded companies which engaged in the same or similar line of business as the Target Company that can be identified. Among various value and price multiples, the Valuer had adopted the P/B ratio for their valuation based on the following reasons:

- (a) Sale does not capture the cost of operations which does not necessarily indicate the profitability of the subject, and thus enterprise value-to-sales ratio and price-to-sales ratio are not good and relevant indicators; and
- (b) Earnings ratios are not applicable as the Target Company has incurred net operating loss and net loss since the financial year ended 31 December 2022.

The Valuer, on best effort basis, had shortlisted an exhaustive list of six guideline public companies (the “**Comparable Companies**”) by using the following selection criteria:

- (a) Companies that are publicly listed in Hong Kong with financial information available as at the Valuation Benchmark Date;
- (b) More than 50% or single largest of business located in the Greater China region; and
- (c) More than 50% of revenue generated from the distribution and trading of metals.

The six Comparable Companies are set out below:

Comparable Companies	Stock code
Lee Kee Holdings Limited	637
China Vanadium Titano-Magnetite Mining Company Limited	893
APAC Resources Limited	1104
CGN Mining Company Limited	1164
Newton Resources Limited	1231
New Provenance Everlasting Holdings Limited	2326

Taking into account of the above and having considered the independence of the Valuer, the Board is of the view that the Valuation and the consideration basis for the Disposal are fair and reasonable.

Completion

Pursuant to the Agreement, Completion is not subject to any condition precedent and will take place on which the Consideration is fully settled by the Purchaser.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in Hong Kong principally engaged in the trading of gold, silver and other precious and base metals. The Group held 18% equity interest in the Target Company (which the Unlisted Equity Securities represents), which is accounted for as financial assets measured at fair value through profit or loss (“FVTPL”) of the Company in the financial statements of the Group. Save for the Unlisted Equity Securities, the Group does not have any other interest in the Target Company.

Set out below is the financial information of the Target Company for the two years ended 31 December 2022, based on information available to the Company in accordance with the Hong Kong Financial Reporting Standards:

	For the year ended 31 December 2021 <i>(audited)</i>	For the year ended 31 December 2022 <i>(audited)</i>
Loss before taxation	HK\$67,297	HK\$1,140,696
Loss after taxation	HK\$67,297	HK\$1,140,696

The unaudited net assets of the Target Company as at 30 September 2023 amounted to approximately HK\$30,884,664.

The financial assets measured at FVTPL in respect of the Unlisted Equity Securities as recorded in the consolidated accounts of the Company as at 31 December 2022 amounted to approximately HK\$4,280,000 (2021: HK\$4,500,000 (audited)). The Group recorded a fair value loss on the Unlisted Equity Securities of HK\$220,000 (audited) for the financial year ended 31 December 2022. (2021: Nil (audited); 2020: HK\$2,286,000 (audited)).

FINANCIAL EFFECTS OF THE DISPOSAL

The Group is expected to recognise a gain of approximately HK\$24,000 from the Disposal, which is calculated based on the Consideration amount of HK\$4,300,000 and the FVTPL in respect of the Unlisted Equity Securities as at 30 September 2023 of approximately HK\$4,276,000 (unaudited). The actual gain or loss in connection with the Disposal may be different from the above and will be determined based on the financial position as at Completion.

Following Completion, the Group will cease to hold any interest in the Target Company.

The proceeds from the Disposal will be used to defray the transaction costs of the Disposal and as general working capital for the Group.

As a result of the Disposal, the Group will not be required to remeasure the fair value of the Unlisted Equity Securities on the respective financial reporting period end dates with effect from Completion.

INFORMATION ON THE PARTIES

The Company is an investment holding company. The Group is principally engaged in the trading of metal and metal supply chain business in PRC, Hong Kong and internationally, the provision of education management services in the PRC and the provision of money lending services in Hong Kong.

The Purchaser is a company incorporated in the PRC with limited liability, ultimately held by Mr. Li BiTao, and is principally engaged in the sales of precious metal and smelting, metal product research and development and sales of material, sales of non-ferrous metal alloys and new metal functional materials, etc.. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Purchaser and its ultimate beneficial owner are Independent Third Parties.

REASONS FOR AND BENEFITS OF THE DISPOSAL

As the Target Company had recorded loss after taxation, and the value of the Unlisted Equity Securities had declined, in recent years, the Directors consider that the Disposal is a good opportunity for the Group to divest and recuperate such investments.

In view of the above, the Directors consider that the entering into of the Agreement and the terms of the Disposal, including the Consideration, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under Rule 19.07 of the GEM Listing Rules) in respect of the Disposal is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 19 of the GEM Listing Rules.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company has been suspended with effect from 9:00 a.m. on Tuesday, 16 May 2023 and will remain suspended until further notice.

Shareholders and potential investors of the Company are reminded to refer to the update announcements published by the Company from time to time on the status of resumption and business and operation updates.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Agreement”	the agreement dated 29 December 2023 entered into between the Vendor and the Purchaser in relation to the Disposal
“Board”	the board of Directors
“Company”	Loco Hong Kong Holdings Limited (港銀控股有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on GEM of the Stock Exchange (Stock Code: 8162)

“Completion”	completion of the Disposal pursuant to the Agreement
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Consideration”	HK\$4,300,000 (or RMB3,930,000 if settled in RMB), being the consideration for the Unlisted Equity Securities
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Unlisted Equity Securities by the Vendor to the Purchaser pursuant to the terms and conditions of the Agreement
“GEM”	the GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person(s) who or company(ies) together with its/their ultimate beneficial owner(s) which is/are third party(ies) independent of the Company and its connected person(s)
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Purchaser”	Chengdu Huiyuan Zhitai Metal Technology Co., Ltd.* (成都匯遠智泰金屬科技有限公司), a company incorporated in the PRC with limited liability, and an Independent Third Party
“RMB”	Renminbi yuan, the lawful currency of the PRC
“Shareholder(s)”	registered holder(s) of shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company”	Lexus Group (Asia) Limited, a company incorporated in Hong Kong with limited liability, the equity interest of which is held by the Group as to 18% as at the date of this announcement
“Unlisted Equity Securities”	7,920,000 shares in the share capital of the Target Company, representing 18% equity interest in the Target Company
“Vendor”	China Precision Material Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“%”	per cent

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

Hong Kong, 29 December 2023

As at the date of this announcement, the executive Directors are Mr. Zhang Siyuan (Chairman of the Board), Mr. Wang Wendong and Mr. Fung Chi Kin; and the independent non-executive Directors are Mr. Zhou Tianshu, Ms. Wong Susan Chui San and Ms. Wu Liyan.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 will remain on the “Latest Listed Company Announcements” page of the Stock Exchange’s website at www.hkexnews.hk for at least 7 days from the date of its publication and will be available on the Company’s website at www.locohkholdings.com.

* *For identification purposes only*