LOCO HONG KONG HOLDINGS LIMITED
港銀控股有限公司

(Stock Code: 8162)

(incorporated in Hong Kong with limited liability)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2014

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, 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.

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This announcement, for which the directors (the "Directors" or individually a "Director") of LOCO HONG KONG HOLDINGS LIMITED (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement shall remain on GEM website on the "Latest Listed Company Information" page for at least seven days from the day of its posting and on the Company's website at www.locohongkong.com.

The Board of Directors of the Company (the "Board") is pleased to announce the unaudited combined results and financial position of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2014 with comparative figures for the previous period as follows. The condensed combined interim financial statements of the Group have not been audited but have been reviewed by the audit committee of the Company.

CONDENSED COMBINED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June		Three months ended 30 June	
		2014	2013	**2014**	2013
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue					
— Sales of metal		**1,299,107**	643,950	**600,458**	286,107
— Interest income from customers and suppliers		**743**	1,261	**478**	580
— Order commission		**20**	38	**2**	14
		1,299,870	645,249	**600,938**	286,701
Trading gains/(losses) on commodity forward contracts		**8,662**	18,249	**(4,270)**	17,859
Other income		**45**	12	**15**	3
Total income		**1,308,577**	663,510	**596,683**	304,563
Inventories consumed		**(1,295,199)**	(656,092)	**(589,438)**	(300,988)
Staff costs		**(1,444)**	(1,195)	**(788)**	(512)
Depreciation		**(436)**	(172)	**(223)**	(73)
Listing expenses		**(6,818)**	—	**(3,409)**	—
Other operating expenses		**(2,494)**	(1,020)	**(986)**	(738)
Other gains/(losses)		**(158)**	286	**507**	166
Profit from operations		**2,028**	5,317	**2,346**	2,418
Finance costs	*5*	**(1,252)**	(723)	**(478)**	(460)
Profit before income tax expense		**776**	4,594	**1,868**	1,958
Income tax expense	*6*	**(1,311)**	(778)	**(700)**	(331)
Profit/(loss) and total comprehensive income/(loss) for the period attributable to owners of the Company		**(535)**	3,816	**1,168**	1,627
		HK cents	*HK cents*	***HK cents***	*HK cents*
Basic and diluted earnings/(losses) per share	*8*	**(0.32)**	2.26	**0.69**	0.96

CONDENSED COMBINED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2014 (unaudited) HK$'000	31 December 2013 (audited) HK$'000
Non-current assets			
Property, plant and equipment		**3,451**	3,507
Investment property		**1,968**	2,009
		5,419	5,516
Current assets			
Inventories		**70,954**	91,369
Accounts receivable, other receivable, deposits and prepayments	*9*	**25,178**	38,444
Derivative financial assets		**80**	2,401
Cash and cash equivalents		**5,458**	3,940
		101,670	136,154
Current liabilities			
Accounts payable, accruals and deposits received	*10*	**29,301**	7,409
Derivative financial liabilities		**4**	362
Bank loans	*11*	**18,209**	20,209
Obligation under a finance lease		**—**	60
Amount due to a related company	*12*	**37,115**	90,244
Tax payable		**1,112**	3
		85,741	118,287
Net current assets		**15,929**	17,867
Total assets less current liabilities and net assets		**21,348**	23,383
Capital and reserves			
Share capital	*13*	**20,000**	15,000
Reserves		**1,348**	8,383
Total equity		**21,348**	23,383

NOTES TO THE CONDENSED COMBINED FINANCIAL STATEMENTS

1. GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

The Company was incorporated in Hong Kong on 14 January 2014. The addresses of its registered office and principal place of business are Room 2003, 118 Connaught Road West, Hong Kong.

The Group is principally engaged in the trading of metals and commodity forward contracts in Hong Kong as well as property holding.

Pursuant to the reorganisation of the Company (the "Reorganisation") in connection with the listing of the shares of the Company on the GEM, the Company has become the holding company of its subsidiaries now comprising the Group since 23 July 2014. The shares of the Company were listed on the GEM on 5 August 2014 (the "Listing"). Details of the Reorganisation are set out in the section headed "History, Reorganisation and Corporate Structure" to the listing document of the Company dated 29 July 2014 (the "Prospectus").

The Group is regarded as a continuing entity resulting from the Reorganisation as there is no change in the economic substance of the Group. Accordingly, these unaudited condensed combined interim financial statements have been prepared using the merger accounting as if the Reorganisation had been completed at the beginning of the reporting period and the current group structure had always been in existence.

The condensed combined statements of comprehensive income, condensed combined statements of changes in equity and condensed combined statements of cash flows of the Group for the six months ended 30 June 2013 and 2014 and the condensed combined statements of comprehensive income for the three months ended 30 June 2013 and 2014, include the results and cash flows of all companies now comprising the Group as if the current structure had been in existence throughout the respective periods. The condensed combined statements of financial position of the Group as at 31 December 2013 and 30 June 2014 have been prepared to present the state of affairs of the Group as if the current group structure had been in existence as at the respective dates.

No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

2. BASIS OF PREPARATION

These unaudited condensed combined interim financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of Chapter 18 of the GEM Listing Rules.

The accounting policies and method of computation adopted in the preparation of these condensed combined interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") (which also include HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosures requirements of the Hong Kong Companies Ordinance, except for the adoption of the new and revised HKFRSs as disclosed in note 3.1 below.

2. BASIS OF PREPARATION *(continued)*

These condensed combined interim financial statements have been prepared under historical cost convention, except for certain financial instruments and inventory, which are measured fair value. These condensed combined interim financial statements are presented in Hong Kong dollars.

These condensed combined interim financial statements have not been audited and was approved for issue by the Board of the Company on 14 August 2014.

3. NEW AND REVISED HKFRSs ISSUED

3.1 Adoption of new and revised HKFRSs effective in current period

The Group has adopted the following new and revised HKFRSs which are effective during the current accounting period:

HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 — *Investment Entities*
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*

The adoption of the above new and revised HKFRSs has had no significant financial impact on the Group's results and financial position.

3.2 New and revised HKFRSs issued but not yet effective

The following new and revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRS 9	*Financial Instruments*[1]
HKFRS 14	*Regulatory Deferral Accounts*[4]
Amendments to HKFRS9, HKFRS 7 and HKAS 39	*Hedge Accounting*[1]
HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle[3]
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle[2]

[1] Effective dates to be determined
[2] Effective for annual periods beginning on or after 1 July 2014
[3] Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014
[4] Effective for annual periods beginning on or after 1 January 2016

The Group is in the process of assessing the impact of these new and revised HKFRSs on the financial performance and financial position of the Group.

4. OPERATING SEGMENTS INFORMATION

The information reported to the executive Directors, who are the chief operating decision makers for the purpose of resource allocation and assessment of performance, is the financial information of the Group as a whole as reported under HKFRSs. Such information does not contain profit or loss information of particular product or service line or geographical area. Therefore, the executive Directors have determined that the Group has only one single reportable segment which is metal trading, and no further operating segment analysis thereof is presented.

5. FINANCE COSTS

	Six months ended 30 June		**Three months ended 30 June**	
	2014	2013	**2014**	2013
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Interests on bank loans	**309**	137	**182**	86
Interests on amount due to a related company	**868**	530	**260**	342
Total interest expenses	**1,177**	667	**442**	428
Bank charges	**74**	51	**36**	30
Interests on a finance lease	**1**	5	**—**	2
	1,252	723	**478**	460

6. INCOME TAX EXPENSE

The amount of the income tax expense represents the following:

	Six months ended 30 June		**Three months ended 30 June**	
	2014	2013	**2014**	2013
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current tax — Hong Kong profits tax charge for the period	**1,311**	778	**700**	331

The Company and its subsidiaries are subject to Hong Kong profits tax at the tax rate of 16.5% (2013: 16.5%) on the estimated assessable profits during the respective periods.

7. DIVIDENDS

The Board does not recommend the payment of any dividend of the Company for the six months ended 30 June 2014 (2013: nil). Dividends declared and paid by China Precision Material Limited ("CPM"), a subsidiary of the Company, to the shareholders for the six months ended 30 June 2014 was HK$1,500,000 (2013: nil).

8. EARNINGS/(LOSSES) PER SHARE

The calculation of losses per share for the six months ended 30 June 2014 is based on the loss for the period attributable to owners of the Company of approximately HK$535,000 (2013: profit of approximately HK$3,816,000), and on the basis of 169,141,978 ordinary shares (2013: 169,141,978 ordinary shares) of the Company, being the number of shares in issue immediately after the completion of the bonus issue, as if these shares had been issued throughout the period.

The calculation of basic earnings per share for the three months ended 30 June 2014 is based on the profit for the period attributable to the owners of the Company of approximately HK$1,168,000 (three months ended 30 June 2013: approximately HK$1,627,000), and on the basis of 169,141,978 shares (three months ended 30 June 2013: 169,141,978 shares) of the Company, being the number of shares in issue immediately after the completion of the bonus issue, as if these shares had been issued throughout the period.

Diluted earnings/(losses) per share are same as the basic earnings/(losses) per share as there are no dilutive potential ordinary share in existence during these periods.

9. ACCOUNTS RECEIVABLE, OTHER RECEIVABLE, DEPOSITS AND PREPAYMENTS

	30 June 2014 (unaudited) ***HK$'000***	31 December 2013 (audited) *HK$'000*
Accounts receivable from customers	**10,382**	25,159
Margin deposits for commodity forward contracts	**14,106**	13,024
Deposits and prepayments	**519**	261
Deposit paid to a related party	**171**	—
	25,178	38,444

Credit period granted to customers range from 0 to 2 days.

The ageing analysis of accounts receivable from customers, based on invoice date, as at the end of each of the reporting period is as follows:

	30 June 2014 (unaudited) ***HK$'000***	31 December 2013 (audited) *HK$'000*
Current	**10,382**	9,796
Less than one month	**—**	15,363
	10,382	25,159

10. ACCOUNTS PAYABLE, ACCRUALS AND DEPOSITS RECEIVED

	30 June 2014 (unaudited) *HK$'000*	31 December 2013 (audited) *HK$'000*
Accounts payable	—	145
Accruals	**409**	632
Trade deposits received	**489**	166
Margin deposits for commodity forward contracts	**28,403**	6,466
	29,301	7,409

In general, credit period is not granted by suppliers and the credit term set by most suppliers is cash on delivery.

The ageing analysis of accounts payable based on invoice date, as of the end of each of the reporting period is as follows:

	30 June 2014 (unaudited) *HK$'000*	31 December 2013 (audited) *HK$'000*
Less than one month	—	145

11. BANK LOANS

	30 June 2014 (unaudited) *HK$'000*	31 December 2013 (audited) *HK$'000*
Secured, interest bearing		
— Bank loans [1]	**13,209**	13,209
— Bank loan due for repayment after one year which contain a repayment on demand clause [2]	**5,000**	7,000
	18,209	20,209

[1] The loans are revolving bank loans bearing interest at 2% per annum over 1-month or 3-month London Inter-bank Offered Rate (LIBOR), which are guaranteed by Mr. Felipe Tan, a Director ("Mr. Tan"), and secured by the properties of the Group and the property of a related company. The loans have been fully repaid on 9 July 2014.

[2] The loan bears interest at 2.5% per annum over 1-month Hong Kong Inter-Bank Offered Rate (HIBOR) and is guaranteed by Mr. Tan and Mr. Huang Hongbin, a senior management. The loan has been fully repaid on 4 August 2014.

12. AMOUNT DUE TO A RELATED COMPANY

Fine Asia Development Limited, a related company in which Mr. Tan acts as director and has equity interest, provided loans to a subsidiary of the Company from time to time to finance its operation. The amounts due to the related company are unsecured, interest-bearing at 2% per annum and is repayable on demand.

13. SHARE CAPITAL

The Company was incorporated in Hong Kong on 14 January 2014. Upon incorporation, 1 ordinary share was allotted and issued to an initial subscriber. On 14 February 2014, such ordinary share was transferred to CHP 1855 Limited, an equity holder of CPM.

The share capital balance in the combined statement of financial position as at 31 December 2013 represented the total issued share capital of CPM while that as at 30 June 2014 represented the total issued share capital of CPM and the Company.

On 3 June 2013, CPM increased its share capital from HK$10,000,000 to HK$15,000,000 by the allotment of additional 5,000,000 ordinary shares of HK$1 each to the then shareholders which was settled by the capitalisation of CPM's retained profits amounting to HK$5,000,000.

On 24 January 2014, CPM increased its share capital from HK$15,000,000 to HK$20,000,000 by the allotment of additional 5,000,000 ordinary shares of HK$1 each to the then shareholders which was settled by the capitalisation of CPM's retained profits amounting to HK$5,000,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Reorganisation

The companies now comprising the Group completed the Reorganisation in preparation for the Listing of the Company's shares on GEM. Further details of the Reorganisation are set out in the section headed "History, Reorganisation and Corporate Structure" to the Prospectus.

On 4 August 2014, the Company placed a total of 120,000,000 ordinary shares at the placing price of HK$0.36 per share (the "Placing") and issued 110,858,022 ordinary shares to a shareholder, credited as fully paid-up, in consideration of capitalization of the loan due by the Group to the shareholders in the amount of approximately HK$27.7 million (the "Loan Capitalisation").

The Company's shares were successfully listed on GEM on 5 August 2014.

Business Review

The Group is principally engaged in the trading of metals, including silver, gold and tin, and the processing of silver products in Hong Kong, which is the only reportable segment of operation of the Group. The Group is one of the few reputable metal traders in Hong Kong which has its own fully integrated processing facilities and is capable of providing a diverse range of silver products to international customers.

The Group's revenue mainly contributed by the sales of silver products, which accounted for almost 100% of the total revenue. For the six months ended 30 June 2014, the Groups recorded revenue of approximately HK$1.3 billion, representing a significant increase of approximately 101% as compared with the revenue of approximately HK$0.6 billion during the corresponding period in 2013. Such significant increase in revenue was mainly due to (i) the increase in sales of processed silver products by approximately 145% to 239 tonnes for the six months period ended in 30 June 2014 from approximately 97.5 tonnes during the correspondence period in 2013; and (ii) the recognition of revenue deriving from the direct sales of silver products of approximately 22 tonnes during the six months ended 30 June 2014 since the recommencement of silver direct trading in March 2014.

For the six months ended 30 June 2014, the Group processed 247 tonnes silver products which represented a significant increase of approximately 149% when compared with 99 tonnes during the correspondence period in 2013. Such significant increase is mainly due to the relocation of the workshop in June 2013 with larger area and the installation of additional processing equipment.

The Group recorded approximately HK$3.8 million profit for the six months ended 30 June 2013, but approximately HK$0.5 million loss for the six months ended 30 June 2014. The loss for the current period was mainly due to the recognition of the listing expenses of approximately HK$6.8 million. If taking out the listing expenses, the Group should have recorded a profit for the six months ended 30 June 2014 of approximately HK$6.3 million which represents an increase of approximately 65% as compared with the profit recorded during the correspondence period of 2013.

Outlook

The Group has acquired and completed installation of the electrolysis facilities. The electrolysis facilities have not been used for processing as the relevant licence have to be obtained and relevant registration have to be completed before their operation. The Directors expect the relevant licence will be granted and the registration will be completed before the end of 2014.

The sales and purchase price of our silver products are determined with reference to London Bullion Market Association ("LBMA") silver price. The published single quoted benchmark price for buying and trading silver which is widely used as a pricing medium throughout the silver industry and is available on the website of LBMA ("London Fixing Price") and has been adopted by us as one of the reference to LBMA silver price will cease with effect from the close of business on 14 August 2014.

According to the press release of LBMA dated 11 July 2014, the CME Group and Thomson Reuters have been selected to provide the solution for the London Silver Price mechanism. In terms of the division of responsibilities, the CME Group will provide the price platform and methodology and Thomson Reuters will provide the administration and governance. The LBMA will develop a process of accreditation for silver price participants. The legal aspects of this division of responsibilities will be finalised prior to go live. In the meantime, LBMA is working closely with the CME Group and Thomson Reuters to prepare the London Silver Price mechanism. Our management will closely monitor the progress and will assess the risk and impact of the new arrangement once the details are available.

Looking forward, the management believe that the listing of the Company's share in GEM will enhance the Group's corporate profile and brand image, and that the net proceeds from the Placing of approximately HK$28.4 million will strengthen its financial position. The Group intends to expand its market share and income source by (i) engaging in more silver direct trading transactions in future through exploring potential suppliers for finished silver products; and (ii) diversifying our source of raw materials to include materials of a lower fineness after we have obtained the relevant licence for electrolysis facilities.

Besides, CPM is a processor of 15 kg silver ingots with a fineness of 999.9 for two accredited refiners of The Chinese Gold and Silver Society ("CGSE"). The Group will utilize this recognition to actively approach and liaise with the members of CGSE to promote silver trade.

Same as for the current period under review, the performance of the Group for the period ending 30 September 2014 and for the year ending 31 December 2014 will be impacted by the further recognition of the listing expenses of approximately HK$1.4 million.

Financial Review

For the six months ended 30 June 2014, the Group recorded a total income of approximately HK$1.3 billion, representing an increase of 101% against the corresponding period in 2013. Loss for the period under review was approximately HK$0.5 million, a decrease of 114% as compared to the corresponding period in 2013, which was mainly caused by the recognition of the listing expenses of approximately HK$6.8 million.

Capital Structure, liquidity and financial resources

As at 30 June 2014, the Group had cash and bank balances of approximately HK$5.5 million (31 December 2013: approximately HK$3.9 million) and net current assets of approximately HK$15.9 million (31 December 2013: approximately HK$17.9 million). As at 30 June 2014, the current ratio stood at 1.19 times (31 December 2013: 1.15 times).

The Group generally finances its operations primarily with internally generated cash flow and borrowings.

As at 30 June 2014, the Group had outstanding borrowings of approximately HK$55.3 million (31 December 2013: approximately HK$110.5 million), comprising bank borrowings of approximately HK$18.2 million and loan from a related company of approximately HK$37.1 million which have been fully settled on 4 August 2014. The details of the outstanding borrowings are as follows:

		30 June 2014		31 December 2013
	Outstanding	**Interest rate**	Outstanding	Interest rate
Bank borrowings	**US$1,700,000**	**LIBOR +2.0% p.a.**	US$1,700,000	LIBOR +2.0% p.a.
Bank borrowings	**HK$5,000,000**	**HIBOR +2.5% p.a.**	HK$7,000,000	HIBOR +2.5% p.a.
Loan from a related company	**US$4,777,000**	**2.0% p.a.**	US$11,614,000	2.0% p.a.

As at 30 June 2014, the Group has banking facilities in aggregate amount of approximately HK$81.8 million. Accompanied with the enhanced financial position after the Placing and the Loan Capitalisation, the Directors believe that the Group has adequate financial resources to fulfill its commitments and working capital requirements.

Gearing ratio

As at 30 June 2014, the Group's gearing ratio was 259% (31 December 2013: 473%), based on total borrowings of approximately HK$55.3 million (31 December 2013: approximately HK$110.5 million) and equity attributable to owners of the Company of approximately HK$21.3 million (31 December 2013: approximately HK$23.4 million). The decrease in the ratio was mainly attributable to decrease in bank borrowings and amount due to a related company during the period under review.

Charge on the Group's assets

As at 30 June 2014, certain property, plant and equipment and investment property with respective carrying amounts of approximately HK$2.0 million and HK$2.0 million are pledged to bank to secure loan facilities granted to a subsidiary.

Significant investments, acquisitions and disposals

There were no significant investment held as at 30 June 2014, nor other material acquisitions and disposals of subsidiaries during the period.

Capital commitment

As at 30 June 2014, the Group did not have any significant capital commitment.

Foreign Exchange Exposure

Material fluctuations in foreign exchange rates may adversely affect our business and performance.

Our sales, purchases and borrowings are predominantly denominated in US$. However, some of our receipt, payment and expenses are settled in RMB and therefore we are subject to currency risks. The exchange rate of US$ to Hong Kong dollars has been relatively stable throughout the period under review, the exposure to US$ exchange rate fluctuations is minimal. The exchange rates of different currencies are subject to continuous movements affected by international political and economic conditions and changes in the PRC government's economic and monetary policies. The possible ongoing appreciation of the RMB against the relevant foreign currencies would have an adverse effect on purchasing power of the relevant foreign currencies and our business and performance.

The Group does not currently engage in foreign currency hedging activities.

Contingent liabilities

The Group has provided guarantees of repayment in respect of a mortgage loan granted to GobiMin Mineral Limited amounting to HK$16.0 million. Such mortgage loan amounted to approximately HK$15.1 million as at 30 June 2014 and were fully repaid in August 2014.

Other than as mentioned above, 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 as at 30 June 2014 and there has not been any material change in the contingent liabilities of our Group since 30 June 2014.

Employees and remuneration policy

As at 30 June 2014, the Group employed a total of 13 staff. The total of employee remuneration, including remuneration of the Directors, for the six months ended 30 June 2014 amounted to approximately HK$1.4 million.

Staff remuneration is reviewed by the Group from time to time and increases are granted normally annually or by special adjustment depending on length of service and performance when warranted. In addition to salaries, the Group provides staff benefits including outpatient medical reimbursement and provident fund. Share options and bonuses are also available to employees of the Group at the discretion of the Directors and depending upon the financial performance of the Group.

Comparison of business objectives with actual business progress

As the date of Listing was subsequent to 30 June 2014, the Group has not yet implemented its implementation plans as set out in the Prospectus during the period ended 30 June 2014. The Group will endeavor to achieve its business objectives as stated in the Prospectus during the upcoming two financial years.

Use of proceeds

The net proceeds from the Placing after deducting the related expenses are approximately HK$28.4 million. Our Directors presently intend to apply such net proceeds from the Placing as follows:

	Planned use of proceeds as stated in the Prospectus *HK$'000*	**Approximate percentage of net proceeds**
Setting up a testing laboratory and acquisition of machinery	1,500	5.3%
Repayment of a bank loan	7,900	27.8%
Acquisition of silver inventories	19,000	66.9%
	28,400	100.0%

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

During the period under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by the Company's compliance adviser, Alliance Capital Partners Limited ("Compliance Adviser"), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 27 March 2014 and effective on 5 August 2014, neither the Compliance Adviser nor its directors, employees or associates had any interests in relation to the Company as at 14 August 2014 which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

CORPORATE GOVERNANCE

Code on Corporate Governance Practices

During the six months ended 30 June 2014, 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.

By order of the Board
Loco Hong Kong Holdings Limited
Felipe Tan
Chairman

Executive Directors:
Mr. Felipe Tan (Chairman)
Ms. Chau Mei Fan

Independent non-executive Directors:
Mr. Chan Ka Ling Edmond
Ms. Tsang Wai Chun Marianna
Mr. Tang Cornor Kwok Kau

Hong Kong, 14 August 2014