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

*(incorporated in Hong Kong with limited liability)*

**(Stock Code: 8162)**

## ANNUAL RESULTS
## FOR THE YEAR ENDED 31 DECEMBER 2015

**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 the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least seven days from the date of its publication and on the Company's website at www.locohongkong.com.*

The Board of Directors of the Company (the "Board") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2015, together with comparative figures for the previous year, as set out below:

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*For the year ended 31 December 2015*

| | *Notes* | **2015** **HK$'000** | 2014 HK$'000 |
|---|---|---|---|
| **Revenue** | | | |
| — Sales of metal | | **1,071,221** | 2,125,785 |
| — Interest income from customers and suppliers | | **4,379** | 2,198 |
| — Processing fee | | **330** | — |
| — Order commission | | **146** | 157 |
| | | **1,076,076** | 2,128,140 |
| Trading gains on commodity forward contracts | | **2,304** | 22,752 |
| Other income | | **84** | 108 |
| Total income | *5* | **1,078,464** | 2,151,000 |
| Inventories consumed | | **(1,063,969)** | (2,125,875) |
| Staff costs | *6* | **(8,423)** | (4,393) |
| Depreciation | | **(980)** | (864) |
| Foreign exchange losses | | **(4)** | (132) |
| Gain on disposal of property, plant and equipment | | **775** | — |
| Listing expenses | | **—** | (8,185) |
| Other operating expenses | | **(5,844)** | (5,895) |
| Profit from operations | | **19** | 5,656 |
| Finance costs | *7* | **(382)** | (1,578) |
| (Loss)/Profit before income tax expense | *8* | **(363)** | 4,078 |
| Income tax credit/(expense) | *9* | **50** | (2,121) |
| **(Loss)/Profit and total comprehensive income for the year** | | **(313)** | 1,957 |
| **(Loss)/Earnings per share** | | | |
| — Basic | *10* | **HK cents (0.08)** | HK cents 0.74 |
| — Diluted | *10* | **HK cents (0.08)** | HK cents 0.74 |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
*As at 31 December 2015*

| | Notes | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 11 | **3,695** | 3,119 |
| Investment property | 12 | — | 1,927 |
| | | **3,695** | 5,046 |
| **Current assets** | | | |
| Inventories | 13 | **40,628** | 41,778 |
| Accounts receivable, other receivables, deposits and prepayments | 14 | **28,925** | 27,927 |
| Derivative financial assets | 15 | **218** | 2 |
| Tax recoverable | | **2,208** | — |
| Cash and cash equivalents | 16 | **35,958** | 37,314 |
| | | **107,937** | 107,021 |
| **Current liabilities** | | | |
| Accounts payable, accruals and deposits received | 17 | **22,076** | 22,524 |
| Derivative financial liabilities | 15 | **1,091** | 630 |
| Tax payable | | — | 787 |
| | | **23,167** | 23,941 |
| **Net current assets** | | **84,770** | 83,080 |
| **Total assets less current liabilities/Net assets** | | **88,465** | 88,126 |
| **Capital and reserves** | | | |
| Share capital | 18 | **85,830** | 85,643 |
| Reserves | | **2,635** | 2,483 |
| **Total equity** | | **88,465** | 88,126 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

The Company is a limited liability company 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 are principally engaged in the trading of metals and commodity forward contracts in Hong Kong as well as property holding.

In connection with the listing of the shares of the Company on the GEM of the Stock Exchange, the Company underwent a reorganisation (the "Reorganisation") and 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. Details of the Reorganisation are set out in the section headed "History, Reorganisation and Corporate Structure" to the prospectus of the Company dated 29 July 2014.

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, the consolidated financial statements have been prepared using the merger accounting as if the Reorganisation had been completed at 1 January 2014 and the current group structure had always been in existence.

Accordingly, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the year ended 31 December 2014 have included the results, changes in equity and cash flows of the companies now comprising the Group from the earliest date presented or since their respective dates of incorporation, whichever was shorter, as if the current group structure had been in existence throughout the year. The consolidated statement of financial position of the Group as of 31 December 2014 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates. No adjustment is made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

The financial information relating to the years ended 31 December 2015 and 2014 included in this preliminary announcement of annual results 2015 do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2014 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2015 in due course.

## 1. GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION *(continued)*

The Company's auditor has reported on the financial statements of the Group for both years. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

The financial statements for the year ended 31 December 2015 were approved and authorised for issue by the Board on 24 March 2016.

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

### (a) Adoption of new/revised HKFRSs — effective 1 January 2015

| | |
|---|---|
| HKFRSs (Amendments) | Annual Improvements 2010-2012 Cycle |
| HKFRSs (Amendments) | Annual Improvements 2011-2013 Cycle |

The adoption of these amendments has no material impact on the Group's financial statements.

### (b) New/revised HKFRSs issued but not yet effective

The following new/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.

| | |
|---|---|
| HKFRSs (Amendments) | Annual Improvements 2012-2014 Cycle[1] |
| Amendments to HKAS 1 | Disclosure Initiative[1] |
| Amendments to HKAS 16 and HKAS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation[1] |
| Amendments to HKAS 27 | Equity Method in Separate Financial Statements[1] |
| HKFRS 9 (2014) | Financial Instruments[2] |
| HKFRS 15 | Revenue from Contracts with Customers[2] |
| HKFRS 16 | Leases[3] |

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019

***Amendments to HKAS 1 — Disclosure Initiative***

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

### (b) New/revised HKFRSs issued but not yet effective *(continued)*

***Amendments to HKAS 16 and HKAS 38 — Clarification of Acceptable Methods of Depreciation and Amortisation***

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

***Amendments to HKAS 27 — Equity Method in Separate Financial Statements***

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

***HKFRS 9 (2014) — Financial Instruments***

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit and loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

### (b) New/revised HKFRSs issued but not yet effective *(continued)*

***HKFRS 9 (2014) — Financial Instruments*** *(continued)*

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

***HKFRS 15 — Revenue from Contracts with Customers***

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

***HKFRS 16 — Leases***

The new standard specifies how an entity to recognise, measure, present and disclose leases. HKFRS 16 requires lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance with HKFRS 16's approach to lessor accounting substantially unchanged from its predecessor HKAS 17.

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

### (b) New/revised HKFRSs issued but not yet effective *(continued)*

The Group is in the process of making an assessment of the potential impact of these pronouncements. The directors are not yet in a position to state whether the application of these new pronouncement will have material impact on the Group's financial statements.

### (c) New Companies Ordinance provisions relating to the preparation of financial statements

The provisions of the new Companies Ordinance (Chapter 622 of the laws of Hong Kong), in relation to the preparation of financial statements apply to the Company in this financial year.

The directors consider that there is no impact on the Group's financial position or performance, however the new Companies Ordinance (Chapter 622 of the laws of Hong Kong), impacts on the presentation and disclosures in the consolidated financial statements. For example, the statement of financial position of the Company is now presented in the notes to the financial statements rather than as a primary statement and related notes to the statement of financial position of the Company are generally no longer presented.

## 3. BASIS OF PREPARATION

### (a) Basis of compliance

The financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") and the provisions of the Hong Kong Companies Ordinance which concern the preparation of financial statements. In addition, the financial statements include applicable disclosures required by the GEM Listing Rules.

### (b) Basis of measurement

The financial statements have been prepared under the historical cost basis except for certain inventories and financial instruments, which are measured at fair values as explained in the accounting policies set out below.

## 3. BASIS OF PREPARATION *(continued)*

### (c) Functional and presentation currency

The functional currency of the Company and its major subsidiaries is United States dollar ("US$"). However, the financial statements are presented in Hong Kong dollar ("HK$") instead of its functional currency as the Directors consider that HK$ is a more appropriate presentation currency in view of its principal place of financing activities.

## 4. SEGMENT INFORMATION

### (a) Reportable segments

The information reported to the executive directors, who are the chief operating decision maker 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. The executive Directors allocate resources and assess performance on an aggregated basis.

### (b) Geographical information

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

The Group's revenue from customers and information about its non-current assets by geographical location are detailed below:

| | **Revenue from customers*** | |
|---|---|---|
| | **2015** | 2014 |
| | ***HK$'000*** | *HK$'000* |
| Singapore | **623,061** | 1,058,194 |
| Hong Kong | **242,849** | 736,414 |
| Australia | **103,862** | 69,677 |
| Japan | **73,555** | 78,388 |
| United Kingdom | **25,137** | 136,472 |
| China | **7,612** | — |
| Dubai | — | 48,995 |
| | **1,076,076** | 2,128,140 |

* Based on location of customers

## 4. SEGMENT INFORMATION *(continued)*

### (b) Geographical information *(continued)*

| | Non-current assets | |
|---|---|---|
| | **2015** | 2014 |
| | ***HK$'000*** | *HK$'000* |
| Hong Kong | **3,695** | 5,046 |

### (c) Information about major customers

Revenue from major customers, each of them accounted for 10% or more of the Group's revenue, are set out below:

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Customer A | **370,197** | N/A |
| Customer B | **252,864** | 1,058,194 |
| Customer C | **N/A** | 322,474 |
| Customer D | **N/A** | 260,638 |

## 5. INCOME

The Group is principally engaged in metal and commodity forward contracts trading.

Revenue mainly comprises net invoiced value of inventories mainly represent silver, tin and gold ("Commodity Inventories") sold by the Group as well as interest income generated from customers and suppliers. The Group enters into sale and purchase agreements for Commodity Inventories with certain customers and suppliers and under the terms of those agreements, the selling or purchase price of silver is determined based on the market silver price on the date subsequently specified by the customer or supplier (the "Forward Arrangements"). Interest is charged to the customers and suppliers of those agreements during the period of Forward Arrangements.

Trading gains or losses from commodity forward contracts mainly comprise the gains or losses arising from the Forward Arrangements with customers and suppliers as mentioned above and the gains or losses arising from the forward contracts entered into with commodity traders for hedging commodity price.

## 6. STAFF COSTS

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Staff costs (including directors' emoluments) comprise: | | |
| Salaries, allowances and benefits | **7,700** | 4,241 |
| Contributions to defined contribution retirement plan | **203** | 152 |
| Equity settled share-based payments | **520** | — |
| | **8,423** | 4,393 |

## 7. FINANCE COSTS

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interests on bank loans | **235** | 398 |
| Interests on amounts due to a shareholder and a related company | **—** | 998 |
| Total interest expenses | **235** | 1,396 |
| Bank charges | **147** | 181 |
| Interest on a finance lease | **—** | 1 |
| | **382** | 1,578 |

## 8. (LOSS)/PROFIT BEFORE INCOME TAX EXPENSE

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

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Inventories consumed | | |
| — Inventories consumed | **1,064,801** | 2,126,115 |
| — Fair value gain on inventories | **(832)** | (240) |
| Auditor's remuneration | **530** | 520 |
| Minimum lease payments under operating leases *(note (a))* | **1,075** | 952 |
| Depreciation of property, plant and equipment | **932** | 782 |
| Depreciation of investment property | **48** | 82 |
| Net rental income from investment property *(note (b))* | **(34)** | (50) |
| Interest income | **(4,385)** | (2,203) |

## 8. (LOSS)/PROFIT BEFORE INCOME TAX EXPENSE *(continued)*

*Notes:*

(a) Included in the balances was office rental paid under the tenancy agreement entered into by the Group with a related company amounting to approximately HK$461,000. For the year ended 31 December 2014, the balance included office rental expenses shared by the Group in respect of the tenancy agreement held under the non-cancellable lease entered into by a related company amounting to approximately HK$107,000 and office rental paid under the tenancy agreement entered into by the Group with a related company amounting to approximately HK$245,000.

(b) The direct outgoing expenses from the investment property during the years were insignificant.

## 9. INCOME TAX (CREDIT)/EXPENSE

The amount of taxation in the consolidated statement of comprehensive income represents:

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current tax — Hong Kong Profits Tax | | |
| — charge for the year | **—** | 2,218 |
| — over-provision in respect of prior years | **(50)** | (97) |
| Income tax (credit)/expense | **(50)** | 2,121 |

The Company and its subsidiaries are subject to Hong Kong Profits Tax at the tax rate of 16.5% (2014: 16.5%) on the estimated assessable profits for the year.

## 9. INCOME TAX (CREDIT)/EXPENSE *(continued)*

The income tax expense can be reconciled to the (loss)/profit before income tax expense per the consolidated statement of comprehensive income as follows:

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| (Loss)/Profit before income tax expense | **(363)** | 4,078 |
| Tax calculated at Hong Kong Profits Tax rate of 16.5% (2014: 16.5%) | **(60)** | 673 |
| Tax effect of revenue not taxable for tax purposes | **(92)** | (1) |
| Tax effect of expenses not deductible for tax purposes | **5** | 1,358 |
| Tax effect of tax losses not recognised | **205** | 129 |
| Utilisation of tax losses previous not recognised | **(22)** | — |
| Tax effect of other temporary differences not recognised | **(36)** | 47 |
| Over-provision in respect of prior years | **(50)** | (97) |
| Others | **—** | 12 |
| Income tax (credit)/expense | **(50)** | 2,121 |

As at 31 December 2015, the Group had estimated unused tax losses of approximately HK$1,949,000 (2014: HK$842,000) which are available for offset against future profits. No deferred tax asset has been recognised in respect of the estimated tax losses due to unpredictability of future profit streams. These tax losses may be carried forward indefinitely.

The Group has no significant unrecognised deferred tax liabilities as at 31 December 2015 and 2014.

## 10. (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted (loss)/earnings per share attributable to the owners of the Company is based on the following data:

| | **2015** | 2014 |
|---|---|---|
| **(Loss)/Earnings** | ***HK$'000*** | *HK$'000* |
| (Loss)/Earnings for the purpose of basic (loss)/earnings per share | **(313)** | 1,957 |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share | **400,097,342** | 264,015,318 |

For the year ended 31 December 2015, the computation of diluted loss per share does not assume the exercise of the Company's outstanding share options since their exercise would result in decrease in loss per share for the year. Accordingly, the basic and diluted loss per share are the same.

For the year ended 31 December 2014, the basic and diluted earnings per share are the same as the Company had no potential dilutive ordinary shares issued.

## 11. PROPERTY, PLANT AND EQUIPMENT

| | Property for own use carried at cost *HK$'000* | Equipment and computer software *HK$'000* | Leasehold improvements *HK$'000* | Motor vehicle *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 January 2014 | 2,050 | 1,568 | 829 | 334 | 4,781 |
| Additions | — | 394 | — | — | 394 |
| Written off | — | — | (200) | — | (200) |
| At 31 December 2014 and 1 January 2015 | **2,050** | **1,962** | **629** | **334** | **4,975** |
| Additions | **—** | **1,382** | **223** | **—** | **1,605** |
| Transfer from investment property *(Note 12)* | **2,050** | **—** | **—** | **—** | **2,050** |
| Disposal | **(2,050)** | **—** | **—** | **(334)** | **(2,384)** |
| At 31 December 2015 | **2,050** | **3,344** | **852** | **—** | **6,246** |
| **Accumulated depreciation** | | | | | |
| At 1 January 2014 | 41 | 765 | 287 | 181 | 1,274 |
| Charge for the year | 82 | 407 | 210 | 83 | 782 |
| Written off | — | — | (200) | — | (200) |
| At 31 December 2014 and 1 January 2015 | **123** | **1,172** | **297** | **264** | **1,856** |
| Transfer from investment property *(Note 12)* | **171** | **—** | **—** | **—** | **171** |
| Charge for the year | **55** | **479** | **398** | **—** | **932** |
| Written back on disposal | **(144)** | **—** | **—** | **(264)** | **(408)** |
| At 31 December 2015 | **205** | **1,651** | **695** | **—** | **2,551** |
| **Net carrying value** | | | | | |
| At 31 December 2015 | **1,845** | **1,693** | **157** | **—** | **3,695** |
| At 31 December 2014 | 1,927 | 790 | 332 | 70 | 3,119 |

As at 31 December 2015, the property represents the carpark transferred from investment property (note 12).

As at 31 December 2014, the property represents a carpark located in Hong Kong which is held under long-term lease. It was disposed during the year ended 31 December 2015.

## 12. INVESTMENT PROPERTY

| | *HK$'000* |
|---|---|
| **Cost** | |
| At 1 January 2014 and 31 December 2014 | 2,050 |
| Transfer to property, plant and equipment | (2,050) |
| At 31 December 2015 | — |
| **Accumulated depreciation** | |
| At 1 January 2014 | 41 |
| Charge for the year | 82 |
| At 31 December 2014 and 1 January 2015 | **123** |
| Charge for the year | **48** |
| Transfer to property, plant and equipment | **(171)** |
| At 31 December 2015 | — |
| **Net carrying value** | |
| At 31 December 2015 | — |
| At 31 December 2014 | 1,927 |

Investment property represents a carpark located in Hong Kong which is held under long-term lease. It is depreciated on a straight-line basis over the shorter of the term of the leases and the estimated useful life of 25 years.

During the year ended 31 December 2015, the carpark became owner-occupied and was transferred to property, plant and equipment (note 11).

As at 31 December 2014, the estimated fair value of the investment property was approximately HK$2,173,000. The fair value was determined by the directors of the Company using market comparable approach by making reference to market evidence of the actual transaction prices for similar properties in the same or nearby locations and in similar conditions. The fair value of the investment property is a level 2 non-recurring fair value measurement. The fair value is based on the property's highest and best use, which does not differ from their actual use.

## 13. INVENTORIES

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Silver | **27,094** | 40,793 |
| Gold | **—** | 887 |
| Tin | **13,416** | — |
| Low value consumables | **118** | 98 |
| | **40,628** | 41,778 |

The fair values of the Commodity Inventories were determined by the Company by reference to the price available in active market including London Bullion Market Association.

The fair value of the Commodity Inventories is a level 2 recurring fair value measurement. The fair value measurement is based on the inventories' highest and best use, which does not differ from their actual use.

## 14. ACCOUNTS RECEIVABLE, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Accounts receivable from customers *(note (a))* | **—** | 15,898 |
| Margin deposits for commodity forward contracts *(note (c))* | **28,365** | 11,312 |
| Deposits and prepayments | **560** | 443 |
| Deposit paid to a related party *(note (b))* | **—** | 274 |
| | **28,925** | 27,927 |

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

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current | **—** | 15,898 |

## 14. ACCOUNTS RECEIVABLE, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(continued)*

The credit period granted to customers ranged from 0 to 2 days.

*Notes:*

(a) As at 31 December 2014, the accounts receivable was neither past due nor impaired and was related to a customer for whom there was no recent history of default.

(b) As at 31 December 2014, the Group paid a deposit of approximately HK$274,000 to Timeless Software Limited for the development of a computer software system at a cost of HK$342,000. During the year ended 31 December 2015, the system was delivered and the deposit was recognised as property, plant and equipment.

(c) As mentioned in note 5 to the financial statements, for trading purposes, the Group has to enter into Forward Arrangements with customers and suppliers as well as forward contracts with commodity traders. The margin deposits at the end of the reporting period mainly represent deposits placed with commodity traders for entering into forward contracts, which the Group can freely withdraw.

## 15. DERIVATIVE FINANCIAL INSTRUMENTS

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Derivative financial assets: | | |
| Commodity forward contracts | **218** | 2 |
| Derivative financial liabilities: | | |
| Commodity forward contracts | **1,091** | 630 |

The Group enters into forward contracts with commodity traders to hedge metal price exposures. Such commodity forward contracts do not qualify as hedging instruments and are classified as financial instruments at fair value through profit or loss. The notional principal amounts of the outstanding metal forward contracts as at 31 December 2015 were approximately US$23,023,000 (2014: US$11,453,000).

The fair values of the forward contracts are determined with reference to the price available in active markets matching the maturity of the contracts.

## 16. CASH AND CASH EQUIVALENTS

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Cash at banks and in hand | **35,958** | 37,314 |

The analysis of cash and bank balances denominated in foreign currencies at the end of reporting period is shown as follows:

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Renminbi | **76** | 23 |
| United States dollars | **34,416** | 29,621 |
| | **34,492** | 29,644 |

Cash at banks earns interest at floating rate based on daily bank deposit rates.

## 17. ACCOUNTS PAYABLE, ACCRUALS AND DEPOSITS RECEIVED

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Accruals | **2,482** | 1,597 |
| Trade deposits received | **—** | 690 |
| Margin deposits for commodity forward contracts | **19,594** | 20,237 |
| | **22,076** | 22,524 |

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

As mentioned in note 5 to the financial statements, for trading purposes, the Group has to enter into Forward Arrangements with customers and suppliers as well as commodity traders. The margin deposits at the end of the reporting period mainly represent deposits received from suppliers and customers for entering into Forward Arrangements.

## 18. SHARE CAPITAL

| | **2015** ***Number of Shares*** | **2015** ***HK$'000*** | 2014 *Number of Shares* | 2014 *HK$'000* |
|---|---|---|---|---|
| Authorised: | | | | |
| At beginning of year | — | — | — | — |
| Upon incorporation *(note (a))* | — | — | 10,000 | 10 |
| The concept of authorised share capital was abolished on 3 March 2014 *(note (b))* | — | — | (10,000) | (10) |
| At end of year | — | — | — | — |
| Issued and fully paid: | | | | |
| At beginning of year | **400,000,000** | **85,643** | — | — |
| Upon incorporation *(note (a))* | — | — | 1 | — |
| Issue of shares pursuant to the Reorganisation *(note (c))* | — | — | 19,999,999 | 21,357 |
| Issue of bonus shares *(note (d))* | — | — | 149,141,978 | — |
| Loan capitalisation *(note (e))* | — | — | 110,858,022 | 27,715 |
| Issue of shares by placing *(note (f))* | — | — | 120,000,000 | 36,571 |
| Share option exercised | **170,000** | **187** | — | — |
| At end of year | **400,170,000** | **85,830** | 400,000,000 | 85,643 |

## 18. SHARE CAPITAL *(continued)*

*Notes:*

(a) The Company was incorporated in Hong Kong on 14 January 2014 with authorised share capital of 10,000 ordinary shares of HK$1 each. Upon incorporation, 1 ordinary share was allotted and issued at HK$1.

(b) The Companies Ordinance (Chapter 622 of the laws of Hong Kong) came into effect on 3 March 2014. Under section 135 of this new Ordinance, shares in a company do not have a nominal value. Accordingly, the concept of authorised share capital is abolished. The no nominal value regime applies to the Company.

(c) On 23 July 2014, in pursuant to the Reorganisation (note 1), the Company issued 19,999,999 ordinary shares in aggregate at the consideration of approximately HK$21,357,000 to the then shareholders of China Precision Material Limited ("CPM") who then transferred their respective entire shareholding in CPM to Loco HK Limited ("Loco BVI"), the direct wholly owned subsidiary of the Company. The share capital of CPM on that day amounted to HK$20,000,000, resulting in difference of approximately HK$1,357,000 which is dealt with in merger reserve.

(d) On 25 July 2014, 149,141,978 additional ordinary shares were allotted and issued by way of bonus to the shareholders of the Company.

(e) On 4 August 2014, the Company allotted and issued 110,858,022 ordinary shares to a shareholder, GobiMin Silver Limited ("GobiMin Silver"), in full satisfaction of a loan in the amount of approximately HK$27,715,000 due by the Group to Fine Asia Development Limited, a related company.

(f) The Company's shares were listed on the GEM of the Stock Exchange and 120,000,000 ordinary shares were issued at HK$0.36 per share ("Placing") on 5 August 2014. After deducting related listing expenses, approximately HK$36,571,000 was credited to share capital.

## 19. DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation. Prior to the Reorganisation, CPM declared and paid interim dividends to the shareholders as follows:

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interim dividend | — | 1,500 |

## MANAGEMENT DISCUSSION AND ANALYSIS

### Corporate Strategy and Business Model

The Group is principally engaged in the trading of metals in Hong Kong accompanied with trading of forward contracts for hedging purpose. We intend to strengthen our market position by (i) the expansion of the trading business with existing and potential suppliers and customers; (ii) the expansion and maintenance of the processing facilities; (iii) exercise of strict control over its expenditure; and (iv) implementation of risk management measures to face the challenges caused by the industry depression.

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

We operate the silver processing facilities with a view to enhancing the marketability as well as facilitating the trading of our silver products. Our processing involves melting silver raw materials and moulding them into the shapes and forms required by our customers. The business models of our direct trading of silver and other metals are essentially identical to the trading of silver products which involve processing, except that we do not process the products sold under our direct trading.

The Group adopts hedging strategies to avoid negative impact on our income arising from price fluctuation of metals and minimize the downward volatility of our profitability. Such strategies mainly include entering into forward contracts with our commodity dealers to fix the forward price contemporaneously upon our fixing the purchase or sales price with our suppliers or customers.

### Business Review

The Group's income was mainly generated from the sales of silver products. During the year under review, the silver market price maintained at relatively low level, which adversely affected the overall silver supply in Hong Kong. Therefore, the sales volume of the silver products of the Group recorded a decrease during this year.

For the year ended 31 December 2015, the Group recorded a revenue from sales of metal of approximately HK$1.1 billion (2014: HK$2.1 billion), representing a significant decrease of 48% as compared with last year, of which 97% was contributed by sale of silver products and the remainings were contributed by sale of gold and tin (2014: 100% silver products). Such decrease in sale revenue was mainly due to the decrease in quantity sold of processed silver products by 37% to 258 tonnes (2014: 409 tonnes).

**Business Review** *(continued)*

The silver price recorded a significant drop of 12% from US$15.71 per ounce on 1 January 2015 to US$13.85 per ounce on 31 December 2015. The volume of the silver processing and sales of the Group dropped substantially in the fourth quarter.

For the year ended 31 December 2015, the Group processed 279 tonnes (2014: 383 tonnes) of silver scrap and no subcontractor was engaged by the Group (2014: 27 tonnes) to process silver scrap. The total processing volume represented a decrease of 27% when compared with last year. Decrease in the silver products processed by the Group was mainly due to the undersupply of silver scrap in Hong Kong in 2015.

**London Silver Price**

The sales and purchase price of our silver products were determined with reference to a benchmark price namely "London Silver Price" quoted on the website of London Bullion Market Association and other prices published and distributed by various data vendors .

**Outlook**

During the year ended 31 December 2015, the sluggish global economy and declining silver market price materially affected the silver industry of Hong Kong. Corresponding to the fall in the silver price, the supply of silver scrap in Hong Kong also shown a sharp decrease, which had significantly impacted the sales volume of silver products of the Group. Looking ahead, the tendency of silver price would still remain unoptimistic in 2016 due to the unstable and enfeebled equity global market. Coupled with the volatile global financial system, the operating environment in the year ahead will be challenging.

In order to survive in the recession, we have to grasp every opportunity lying in the middle of these challenges. Some silver industry participants have left the market owing to the industrial depression. It is the chance for the Company to enlarge its market share when the competition became less intense. Therefore, the management will implement effective operating strategies to enlarge our market share, and conduct coping strategies to mitigate the risks of market recession.

Facing the huge extent of changes in the industry ahead, the Group will continue to exercise prudence in managing its expenditures, commit efforts in daily operation to enhance the quality of our silver products and constantly evolve its business strategies in a cautious manner.

**MANAGEMENT DISCUSSION AND ANALYSIS** *(continued)*

**Financial Review**

For the year ended 31 December 2015, the Group had a total income of approximately HK$1.1 billion (2014: HK$2.1 billion), representing a decrease of 48% as compared with 2014. The Group recorded loss of approximately HK$0.3 million (2014: profit of HK$2.0 million) for the year ended 31 December 2015. The decrease in profit was due to (i) decrease in sale revenue by 48% from HK$2.1 billion in last year to HK$1.1 billion in current year; and (ii) increase in staff cost by 91% from HK$4.4 million in last year to HK$8.4 million in current year. The increase in staff cost in the year under review was mainly because more staff was required for the laboratory, internal control and compliance matters and due to payroll raised for existing staff and the grant of staff options. The key performance indicators of the Group include those provided above and in the sections "Business Review" and "Capital Structure, liquidity and financial resources" of this announcement. They help the management to set, evaluate, implement and control strategies so as to improve our performance.

**Capital Structure, liquidity and financial resources**

As at 31 December 2015, the Group had cash and bank balances of approximately HK$36.0 million (2014: approximately HK$37.3 million) and net current assets of approximately HK$84.8 million (2014: approximately HK$83.1 million). As at 31 December 2015, the current ratio stood at 4.66 times (2014: 4.47 times).

The Group generally finances its operations primarily with internally generated cash flow and bank borrowings. The decrease in cash balance of HK$1.4 million mainly represented the acquisition of equipment for setting up of a laboratory, settlement of daily operating expenses and income tax paid, netting off the proceeds from disposal of a motor and carpark.

As at 31 December 2015, the Group had no outstanding borrowings (2014: nil).

As at 31 December 2015, the Group had banking facilities in aggregate amount of HK$10 million. The Directors believed that the Group has adequate financial resources to fulfill its commitments and working capital requirements.

**Capital commitment**

As at 31 December 2015, the Group did not have any significant capital commitment.

**Employees and Remuneration Policy**

As at 31 December 2015, the Group employed a total of 18 staff. The total of employee remuneration, including remuneration of the Directors, for the year ended 31 December 2015 amounted to approximately HK$8.4 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.

**Charge on the Group's assets**

As at 31 December 2015, no Group's assets was pledged as security.

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

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

**Dividends**

The Board does not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: nil).

**Gearing ratio**

As at 31 December 2015, the Group has no gearing ratio as the Group has no borrowing at 31 December 2015 (2014: nil).

**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$. However, some of our receipt, payment and expenses are settled in Renminbi ("RMB") or HK$ and therefore we are subject to currency risks. The exchange rate of US$ to HK$ has been relatively stable throughout the year 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 government's economic and monetary policies of the People's Republic of China. The possible 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 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 31 December 2015 and there has not been any material change in the contingent liabilities of the Group since 31 December 2015.

**Comparison of Business Objectives with Actual Business Progress**

The following is a comparison between the Group's business objectives as set out in the listing document of the Company dated 29 July 2014 (the "Prospectus") and the actual business progress for the year ended 31 December 2015.

| Business Objectives for the year ended 31 December 2015 | Actual Business Progress for the year ended 31 December 2015 |
|---|---|
| **Expansion of our trading business** | |
| • Continue to develop relationship with existing and potential customers and suppliers of silver, gold and other metals as well as silver raw material with a lower fineness | • The Group continued to trade with existing customers and suppliers and had four new customers on silver business, two new customers on gold business and one new tin supplier during the year. |
| • Continue to liaise with members of CGSE to promote silver to local investors | • The Group continued to maintain good relationship with members of CGSE so as to expand potential business locally. |
| **Expansion and maintenance of processing facilities** | |
| • Consider the necessity of renovating existing processing facilities to support possible expansion of business | • During the year, the registration and licenses required for electrolysis activities and the set up of the laboratory were completed. The Group has also completed the setup of an inductively coupled plasma optical emission spectrometry ("ICP-OES"). The ICP-OES can test the fineness of the raw materials purchased and enable the Group to provide fineness testing of raw materials for customers. |

**Use of Proceeds**

The planned use of the proceeds as stated in the Prospectus were based on the best estimation of future market conditions made by the Group at the time of preparing the Prospectus. The net proceeds of approximately HK$28.5 million was raised from the Placing and was used according to the plan and adjusted for the actual market development. During the period from the date of listing of the Company's shares on GEM to 31 December 2014, the net proceeds had been fully applied as follows:

| | **Planned use of proceeds** *HK$'000* | **Actual use of proceeds** *HK$'000* |
|---|---|---|
| Setting up a testing laboratory and acquisition of machinery | 1,500 | — |
| Repayment of a bank loan | 7,900 | 7,900 |
| Acquisition of silver inventories | 19,000 | 20,600 |
| | 28,400 | 28,500 |

The deviation of the actual use of proceeds from the original plan was mainly for set-up of the laboratory. As it took more time than expected to get quotation for the suitable equipment for the laboratory in 2014, the laboratory was completed in 2015. The total cost of set-up of the testing laboratory and acquisition of machinery amounted to approximately HK$1.4 million, funded by the cash generated from the operation.

**AUDIT COMMITTEE AND REVIEW OF ACCOUNTS**

The audit committee comprises three independent non-executive Directors, namely Mr. Chan Ka Ling Edmond, Mr. Tang Cornor Kwok Kau and Ms. Tsang Wai Chun Marianna. Mr. Chan Ka Ling Edmond is the chairman of the audit committee.

The audit committee has reviewed the audited financial statements of the Group for the year ended 31 December 2015.

**SCOPE OF WORK OF BDO LIMITED**

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2015 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this announcement did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

## 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 31 December 2015 which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

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

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

## CODE ON CORPORATE GOVERNANCE PRACTICES

According to A.2.1 of the Code Provisions, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. During the year, the role of chairman is performed by Mr. Felipe Tan but the office of the chief executive officer of the Company is vacated. The Board will continue to review the current Board composition from time to time and would take into account of the requirement of the Group's business development and fill the post as appropriate should candidate with suitable knowledge, skills and experience be identified. The Nomination Committee will also review the diversity of the Board to ensure its continued effectiveness.

Save as disclosed above, during the year ended 31 December 2015, 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 ("Code Provisions"). The Board reviews and improves its corporate governance practices from time to time so as to ensure that they comply with the statutory requirements and the Code Provisions.

## CLOSURE OF THE REGISTER OF MEMBERS

For the purpose of determining shareholders' entitlement to attend and vote at the forthcoming annual general meeting of the Company, the register of members of the Company will be closed from Wednesday, 22 June 2016 to Friday, 24 June 2016 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for attending at the meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 21 June 2016.

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
Mr. Tang Cornor Kwok Kau
Ms. Tsang Wai Chun Marianna

Hong Kong, 24 March 2016