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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)

PLACING OF CONVERTIBLE BONDS UNDER GENERAL MANDATE

Placing Agent



太平基業證券有限公司
Pacific Foundation Securities Limited

THE PLACING AGREEMENT

On 23 June 2016 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent pursuant to which the Company has conditionally agreed to issue and the Placing Agent has conditionally agreed to procure, on a best effort basis, not less than six Placées to subscribe for the Convertible Bonds with an aggregate principal amount of up to HK\$36,800,000 at the Placing Price.

Assuming the Convertible Bond is fully placed, based on the initial Conversion Price of HK\$0.46 per Conversion Share, 80,000,000 Conversion Shares will be allotted and issued by the Company upon exercise in full of the conversion rights attaching to the Convertible Bonds, representing: (a) approximately 19.99% of the existing issued share capital of the Company; and (b) approximately 16.66% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares (assuming there is no other change in the issued share capital of the Company between the date of this announcement and the full conversion of the Convertible Bonds).

The initial Conversion Price of HK\$0.46 per Conversion Share represents (i) a discount of approximately 9.8 % to the closing price of HK\$0.51 per Share as quoted on the Stock Exchange on the date of signing of the Placing Agreement; and (ii) a discount of approximately 11.54% to the average closing price of HK\$0.52 per Share as quoted on the Stock Exchange for the last five trading days up to and including the date of signing of the Placing Agreement.

Assuming the Convertible Bonds are fully placed by the Placing Agent and based on the placing commission in the amount of approximately HK\$736,000, the gross and net proceeds from the Placing are estimated to be HK\$36,800,000 and approximately HK\$36,064,000, respectively. The Company intends to use the net proceeds from the Placing for (i) general working capital of the Group; (ii) purchase of silver inventory; and (iii) acquisition of the potential projects. No potential targets have yet been identified as at the date of this announcement. The Placing is not subject to the Shareholders' approval as the Conversion Shares falling to be issued upon conversion of the Convertible Bonds will be issued under the General Mandate.

Shareholders and potential investors should note that the Placing is subject to the fulfillment of the conditions precedent set out in the Placing Agreement, and may or may not proceed. Shareholders and investors should exercise caution when dealing in the Shares.

GENERAL

The Company will make an application to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange. No application will be made by the Company to the Listing Committee for listing of the Convertible Bonds.

THE PLACING AGREEMENT

On 23 June 2016 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Company has conditionally agreed to issue and the Placing Agent has conditionally agreed to procure, on a best effort basis, not less than six Placees to subscribe for the Convertible Bonds with an aggregate principal amount of up to HK\$36,800,000 at the Placing Price.

Details of the Placing Agreement and the Placing of the Convertible Bonds are summarized as follow:

Date

23 June 2016 (after trading hours)

Parties

- (1) The Company (as the issuer); and
- (2) The Placing Agent (as the placing agent)

To the best knowledge, information and belief of the Board, having made all reasonable enquiries, the Placing Agent, its associates and their respective ultimate beneficial owner(s) are Independent Third Parties. As at the date of this announcement, the Placing Agent is not interested in any Shares.

Placing of the Convertible Bonds

The Placing Agent has conditionally agreed to procure, on a best effort basis, not less than six Placees to subscribe for the Convertible Bonds with an aggregate principal amount of up to HK\$36,800,000 at the Placing Price.

The Placees

The Placing Agent shall ensure that the Placees (being individual, professional or institutional investors) and their ultimate beneficial owners are Independent Third Parties and not connected persons of the Company and that none of the Placees will become a substantial shareholder of the Company as a result of the placing of the Convertible Bonds subscribed by him/her/it on fully converted basis as at the date of completion of the Placing (taking into account other securities held by such Placee at the time of his/her/its subscription of the Convertible Bonds).

Placing Commission

The Placing Agent will receive a placing commission for the Placing of 2% of the aggregate Placing Price successfully placed by the Placing Agent to the Placees. The commission rate was determined after arm's length negotiations between the Company and the Placing Agent with reference to market rates.

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

The principal terms of the Convertible Bonds are summarised below:

Principal amount:

HK\$36,800,000

Issue price:

100% of the principal amount of the Convertible Bonds

Interest:

6% per annum payable upon maturity or redemption

Maturity Date:

The date falling on the second anniversary of the date of issue of the Convertible Bonds

Conversion Price:

The initial Conversion Price is HK\$0.46 per Conversion Share, which is subject to adjustment provisions as summarised in the sub-paragraph headed “Adjustments to the Conversion Price” below.

The initial Conversion Price represents:

- (i) a discount of approximately 9.8% to the closing price of HK\$0.51 per Share as quoted on the Stock Exchange on the date of signing of the Placing Agreement; and
- (ii) a discount of approximately 11.54% to the average closing price of HK\$0.52 per Share as quoted on the Stock Exchange for the last five trading days up to and including the date of signing of the Placing Agreement.

The initial Conversion Price was determined after arm’s length negotiations between the Company and the Placing Agent after considering the current market sentiment, the recent market prices and performance of the Shares, the historical financial performance and the business prospects of the Group.

Adjustments to the Conversion Price:

The initial Conversion Price shall be, from time to time, subject to adjustment upon occurrence of, any of the following events:

- i. consolidation or sub-division of Shares;
- ii. capitalisation of profits or reserves;
- iii. capital distribution;
- iv. offer of new Shares for subscription by way of a rights issue, an open offer or a grant of options or warrants to subscribe for new Shares, at a price which is less than 90% of the market price at the date of the announcement of the terms of such offer or grant per Share to Shareholders;
- v. issue wholly for cash being made by the Company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares, if in any case the total effective consideration per new Share receivable is less than 90% of the market price at the date of the announcement of the terms of issue of such securities, or the conversion, exchange or subscription rights of any such issue are altered so that the said total effective consideration receivable per Share initially is less than 90% of such market price at the date of announcement of the terms of such issue;
- vi. issue of Shares being made wholly for cash at a price less than 90% of the market price per Share at the date of announcement of the terms of such issue; and
- vii. issue of Shares for the acquisition of asset at a total effective consideration per new Share receivable is less than 90% of the market price at the date of the announcement of the terms of such issue.

No adjustment will be made to the Convertible Bonds to the extent that it will cause the Company to allot and issue Shares in excess of the General Mandate.

Conversion Shares:

Based on the initial Conversion Price of HK\$0.46, a maximum number of 80,000,000 Conversion Shares may fall to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds in full, which represent:

- i. approximately 19.99% of the existing issued share capital of the Company as at the date hereof; and

- ii. approximately 16.66% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon exercise of the conversion right attaching to the Convertible Bonds in full (assuming that there is no other change in the existing shareholding of the Company).

Conversion period:

The Bondholder shall be entitled to exercise the conversion right during the period commencing from the date of the issue of the Convertible Bonds up to 4:00 p.m. (Hong Kong time) immediately prior to and exclusive of the Maturity Date.

Transferability:

Unless the Bondholder(s) transfers the Convertible Bonds to its wholly-owned subsidiaries or a holding company of the Bondholder(s) which owns the entire issued share capital of the Bondholder(s), the Bondholder(s) may only assign or transfer the Convertible Bonds to the transferee (other than a connected person (as defined in the GEM Listing Rules) of the Company who/which could not be a transferee) subject to the written notice to the Company. The Convertible Bonds may be assigned or transferred in whole or in part (in whole multiples of HK\$2,000,000) of its outstanding principal amount upon the payment in full and the Company shall facilitate any such assignment or transfer of the Convertible Bonds, including making any necessary applications to the Stock Exchange for the said approval (if required).

Redemption:

The Convertible Bonds may be redeemed at any time from the date of issue and prior to the Maturity Date by the Bondholder. The Company may at any time from the date of issue and before the Maturity Date by serving written notice to the Bondholder with the total amount proposed to be redeemed from the Bondholder specified therein, redeem the Convertible Bonds (in whole or in part) at par.

If a conversion notice is served at the same date as a redemption notice is served by the Company, the Company's redemption notice will deem to take priority.

Status of the Convertible Bonds:

The Convertible Bonds constitute direct, unconditional, unsubordinated and unsecured obligations of the Company and shall at all times rank pari passu and without any preference among themselves. The payment obligations of the Company under the Convertible Bonds shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

Ranking of the Conversion Shares:

The Conversion Shares will rank pari passu in all respects with the Shares in issue.

Voting:

The Bondholder(s) shall not be entitled to attend or vote at any meetings of the Company by reason only it being the Bondholder(s).

Listing:

No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange.

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange.

CONDITIONS PRECEDENT TO THE PLACING

Completion of the Placing is conditional upon the fulfillment of the following conditions:

- (i) the Listing Committee of the Stock Exchange granting to the Company an approval for the listing of, and permission to deal in, the Conversion Shares;
- (ii) all necessary consents, approvals, authorizations and/or waivers having been obtained by the Company to effect the execution, completion and performance of the obligations and other terms of the Placing Agreement;
- (iii) as at the date of the Placing Agreement and the placing completion date, there being no occurrence of events which have a material adverse effect or would (had the Convertible Bonds been issued) constitute an event of default under the terms and conditions of the Convertible Bonds; and
- (iv) no representation, warranty or undertaking under the Placing Agreement having been breached in any material respect by the Company or rendered inaccurate, untrue or misleading in any material respect, in each case on or prior to the placing completion date.

If the conditions precedent in respect of the Placing are not fulfilled on or before 12 July 2016 (or such other date as may be agreed between the Placing Agent and the Company), all rights, obligations and liabilities of the parties in respect of the Placing shall cease and determine and none of the parties therein shall have any claim against any other in respect of the Placing, save for any liability arising out of any antecedent breaches of the Placing Agreement.

COMPLETION OF THE PLACING

Subject to termination of the Placing Agreement, completion of the Placing shall take place on the Completion Date (unless otherwise agreed between the Placing Agent and the Company in writing) provided that the conditions precedent have been fulfilled on the third Business Day immediately before the Completion Date (or such later date as may be agreed between the Company and the Placing Agent in writing).

TERMINATION OF THE PLACING AGREEMENT

Upon the occurrence of the following events:

If, at any time prior to 9:00 a.m. on the completion date of the Placing, in the absolute opinion of the Placing Agent, the success of the Placing or the business or financial prospects of the Group would or might be adversely affected by any of the following events:

- (i) the introduction of any new laws or regulations or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
- (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date hereof) of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not *eiusdem generis* with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances which would, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or adversely prejudices the success of the placing of the Convertible Bonds to potential investor(s) or otherwise makes it inexpedient or inadvisable for the Company or the Placing Agent to proceed with the placing of Convertible Bonds; or
- (iii) any change in market conditions (including without limitation, a suspension or limitation on trading in securities generally on the Stock Exchange) which would materially and adversely affect the success of the placing of the Convertible Bonds to potential investor(s) or otherwise in the absolute opinion of the Placing Agent makes it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the placing of the Convertible Bonds,

then and in any such case, the Placing Agent may terminate the Placing Agreement without liability to the Company by giving notice in writing to the Company, provided that such notice is received prior to 9:00 a.m. on completion date of the Placing and provided further that such termination shall not affect any partial completion of the Convertible Bonds that have taken place prior to such date of termination.

If, at or prior to 9:00 a.m. on the completion date of the Placing:

- (a) the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed or assumed under the Placing Agreement; or

- (b) any suspension in the trading of the Shares on the Stock Exchange for more than ten consecutive trading days save for the purposes of clearing of the announcement relating to the Placing Agreement or circulars relating to the Placing; or
- (c) the Placing Agent shall become aware of the fact that any of the representations or warranties contained in the Placing Agreement was, when given, untrue or inaccurate or would in any respect be untrue or inaccurate if repeated, the Placing Agent shall, in its absolute opinion, determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the financial or trading position or prospects of the Group taken as a whole or will otherwise likely to have a material prejudicial effect on the Placing.

The Placing Agent shall be entitled (but not bound) by notice in writing to the Company to elect to treat such matter or event as releasing and discharging the Placing Agent from its obligations under the Placing Agreement.

If the Placing Agent terminates the Placing Agreement, all obligations of the Placing Agent and the Company under the Placing Agreement will cease and determine and neither party may have any claim against the other party in respect of any matter arising out of or in connection with the Placing Agreement except for any breach arising prior to such termination.

GENERAL MANDATE

The Placing is not subject to the Shareholders' approval as the Conversion Shares falling to be issued upon conversion of the Convertible Bonds will be issued under the General Mandate, which was granted to the Directors pursuant to a resolution passed by the Shareholders at the annual general meeting of the Company held on 18 June 2015. Under the General Mandate, the Company is authorized to allot, issue and otherwise deal with new Shares (including the issue of any securities convertible into Shares, or options, warrants or similar rights to subscribe for any Shares) of up to 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of the aforesaid annual general meeting, which as at the date of the Placing Agreement amounts to 80,034,000 new Shares. As at the date of this announcement, the General Mandate has not been utilized since it was granted.

REASONS FOR THE PLACING AND USE OF PROCEEDS

The Group is principally engaged in the trading of metals and commodity forward contracts in Hong Kong, silver processing and property holding in Hong Kong.

Assuming the Convertible Bonds are fully placed by the Placing Agent and based on the placing commission the amount of approximately HK\$736,000, the gross and net proceeds from the Placing are estimated to be HK\$36,800,000 and approximately HK\$36,064,000, respectively. Therefore, assuming the Convertible Bonds are fully placed and the conversion rights of all the Convertible Bonds are exercised, the net price for the Placing is approximately HK\$0.45 per

Conversion Share. The Company intends to use the net proceeds from the Placing for (i) general working capital of the Group; (ii) purchase of silver inventory; and (iii) acquisition of the potential projects. No potential targets have yet been identified as at the date of this announcement.

The terms of the Convertible Bonds and the Placing (including the Conversion Price) were determined after arm's length negotiations between the Company and the Placing Agent with reference to the recent performance of the Shares, the Group's existing financial position and current market conditions. The placing commission was arrived at after arm's length negotiations between the Company and the Placing Agent with reference to prevailing market rates. The Directors consider that the terms of the Placing Agreement and the Convertible Bonds (including the interest rate, the Conversion Price and the placing commission) are on normal commercial terms, fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming (a) there is no change in the issued share capital of the Company from the date of this announcement and up to the date of full conversion of the Convertible Bonds at the initial Conversion Price (other than as a result of the allotment and issue of the Conversion Shares); and (b) all of the HK\$36,800,000 Convertible Bonds are placed in full, the shareholding structures of the Company (i) as at the date of this announcement and (ii) immediately after the allotment and issue of all the Conversion Shares are summarized as follows:

	As at the date of this announcement		Immediately after full conversion of the Convertible Bonds at the initial Conversion Price	
	No. of Shares	Approximate %	No. of Shares	Approximate %
Executive Directors				
1. Mr. Felipe Tan (<i>Note</i>)	153,260,000	38.30%	153,260,000	31.92%
2. Ms. Chau Mei Fan	1,209,365	0.30%	1,209,365	0.25%
Independent Non-executive Directors				
3. Mr. Chan Ka Ling Edmond	—	0.00%	—	0.00%
4. Mr. Tang Cornor Kwok Kau	—	0.00%	—	0.00%
5. Ms. Tsang Wai Chun Marianna	—	0.00%	—	0.00%
Others				
6. Hong Jin Group Limited	42,700,516	10.67%	42,700,516	8.89%
7. Public shareholders	203,000,119	50.73%	283,000,119	58.94%
Total	<u>400,170,000</u>	<u>100.00%</u>	<u>480,170,000</u>	<u>100.00%</u>

Note: As at the date of this announcement, Mr. Felipe Tan directly and indirectly holds 66.02% equity interest in GobiMin Inc. which holds 100% equity interest in GobiMin Investments Limited, which in turn holds 100% equity interests in GobiMin Silver Limited, the controlling shareholder of the Company. By virtue of the SFO, Mr. Felipe Tan is deemed to have interest in 153,260,000 shares of the Company held by GobiMin Silver Limited.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company had not conducted any other fund raising activities in the past 12 months immediately preceding the date of this announcement.

GENERAL

The Company will make an application to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange. No application will be made by the Company to the Listing Committee for the listing of the Convertible Bonds.

Shareholders and potential investors should note that the Placing is subject to the fulfillment of the conditions precedent set out in the Placing Agreement, and may or may not proceed. Shareholders and investors should exercise caution when dealing in the Shares.

DEFINITIONS

“associate(s)”	has the same meaning ascribed to it in the GEM Listing Rules
“Board”	the board of Directors of the Company
“Bondholder(s)”	a holder(s) of the Convertible Bonds and in whose name such Convertible Bonds are for the time being registered in the register of bondholder(s) kept by the Company
“Business Day(s)”	any day (excluding a Saturday and any day on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning signal is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Company”	Loco Hong Kong Holdings Limited (stock code: 8162), a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Stock Exchange
“Completion”	completion of the issue of the Convertible Bonds by the Company
“Completion Date”	any day falling within three Business Days after the fulfilment of the conditions precedent
“connected person(s)”	has the same meaning ascribed to it under the GEM Listing Rules

“controlling shareholder(s)”	has the same meaning ascribed to it under the GEM Listing Rules
“Conversion Period”	the period commencing from the date of issue of the Convertible Bonds and expiring on the business day immediately prior to the Maturity Date (both days inclusive)
“Conversion Price”	HK\$0.46, being the initial conversion price per Share at which the Convertible Bonds may be converted into Shares and subject to adjustments (if any)
“Conversion Share(s)”	the new Share(s) which may fall to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds
“Convertible Bonds”	the convertible bonds in an aggregate principal amount of HK\$36,800,000 to be issued by the Company
“Director(s)”	the director(s) of the Company
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 18 June 2015 to allot, issue and otherwise deal with new Shares up to a maximum of 20% of the total number of issued share capital of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of The People’s Republic of China
“Independent Third Party(ies)”	a person(s) or company(ies) and their respective ultimate beneficial owner(s) who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is not a connected person of the Company or an associate of such connected person
“Listing Committee”	the listing committee of the Stock Exchange for considering applications for listing and the granting of listing

“Maturity Date”	the second anniversary of the date of issue of the Convertible Bonds
“Placees”	any independent individual, professional or institutional investors whom the Placing Agent and/or any of their sub-placing agent(s) have procured to subscribe for any of the Convertible Bonds under the Placing
“Placing”	the placing of the Convertible Bonds in accordance with the terms and conditions of the Placing Agreement
“Placing Agent”	Pacific Foundation Securities Limited, a corporation licensed to engage in type 1 (dealing in securities) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance
“Placing Agreement”	the conditional placing agreement entered into between the Company and the Placing Agent dated 23 June 2016 in relation to the Placing
“Placing Price”	the subscription price of the Convertible Bonds, being the face value of the principal amount of such portion of the Convertible Bonds
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as modified and amended from time to time
“Shareholder(s)”	holder(s) of Shares
“Shares”	shares in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

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

Hong Kong, 23 June 2016

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

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 GEM website on the “Latest Company Announcements” page 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.