



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

(incorporated in Hong Kong with limited liability)

(Stock Code: 8162)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2016

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.

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

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 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 consolidated results and financial position of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2016 with comparative figures for the previous period as follows.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Note</i>	(Unaudited)			
		Six months ended 30 June		Three months ended 30 June	
		2016	2015	2016	2015
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue					
— Sales of metal		1,132,219	563,679	973,947	281,411
— Interest income from customers and suppliers		2,085	1,913	988	1,072
— Processing fee		134	—	51	—
— Order commission		400	97	313	76
		1,134,838	565,689	975,299	282,559
Trading gains/(losses) on commodity forward contracts		(10,460)	(919)	(9,510)	1,149
Other income		68	31	3	16
Total income		1,124,446	564,801	965,792	283,724
Inventories consumed		(1,112,384)	(557,598)	(957,125)	(280,253)
Staff costs		(3,572)	(2,878)	(1,846)	(1,691)
Depreciation		(505)	(370)	(214)	(189)
Gain on disposal of property, plant and equipment		—	775	—	694
Foreign exchange gains/(losses)		(9)	2	(9)	1
Other operating expenses		(3,126)	(2,894)	(1,719)	(1,632)
Profit from operations		4,850	1,838	4,879	654
Finance costs	5	(227)	(188)	(168)	(96)
Profit before income tax expense		4,623	1,650	4,711	558
Income tax expense	6	(765)	(206)	(765)	—
Profit and total comprehensive income for the period		3,858	1,444	3,946	558
		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Basic and diluted earnings per share	8	0.96	0.36	0.99	0.14

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited) 30 June 2016 <i>HK\$'000</i>	(Audited) 31 December 2015 <i>HK\$'000</i>
	<i>Note</i>		
Non-current assets			
Property, plant and equipment		3,240	3,695
Current assets			
Inventories		59,459	40,628
Accounts receivable, other receivables, deposits and prepayments	9	33,119	28,925
Derivative financial assets		38	218
Tax recoverable		1,443	2,208
Cash and cash equivalents		24,619	35,958
		118,678	107,937
Current liabilities			
Accounts payable, accruals and deposits received	10	13,163	22,076
Derivative financial liabilities		1,265	1,091
Amounts due to related companies	11	15,167	—
		29,595	23,167
Net current assets		89,083	84,770
Total assets less current liabilities/ Net assets		92,323	88,465
Capital and reserves			
Share capital	12	85,830	85,830
Reserves		6,493	2,635
Total equity		92,323	88,465

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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 is principally engaged in the trading of metals and commodity forward contracts in Hong Kong.

These condensed consolidated financial statements have not been audited but have been reviewed by audit committee of the Company and were approved for issue by the Directors on 9 August 2016.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated financial statements have been 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 used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”), except for the adoption of the new and revised HKFRSs as disclosed in note 3 below.

Accounting estimates and assumptions are used in the preparation of financial statements. Although these estimates are based on management’s best knowledge and judgment of current events and actions, actual results may be ultimately different from those estimates and assumptions. In preparing these condensed consolidated financial statements, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements of the Group for the year ended 31 December 2015.

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

The financial information relating to the year ended 31 December 2015 included in these interim financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year 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 Hong Kong Companies Ordinance (Cap.622) is as follows:

The Company will deliver the financial statements for the year ended 31 December 2015 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance (Cap.622).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

The Company's auditor has reported on the financial statements for the year ended 31 December 2015. The auditor's report was unqualified; did not include a reference to any matter to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance (Cap.622).

3. NEW AND REVISED HKFRSs ISSUED

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

- HKFRSs (Amendments) Annual Improvements 2012-2014 Cycle
- Amendments to HKAS 1 Disclosure Initiative
- Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The adoption of the above new and revised HKFRSs has had no significant financial impact on the Group's results and financial position. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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

	(Unaudited)			
	Six months ended 30 June		Three months ended 30 June	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interests on bank loans	69	128	37	66
Interests on amount due to a related company	99	—	99	—
Total interest expenses	168	128	136	66
Bank charges	59	60	32	30
	227	188	168	96

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

6. INCOME TAX EXPENSE

The amount of the income tax expense represents the following:

	(Unaudited)			
	Six months ended 30 June		Three months ended 30 June	
	2016	2015	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax — Hong Kong profits tax charge for the period	765	206	765	—

The Company and its subsidiaries are subject to Hong Kong profits tax at the tax rate of 16.5% (2015: 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 2016 (2015: nil).

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share are based on:

	(Unaudited)			
	Six months ended 30 June		Three months ended 30 June	
	2016	2015	2016	2015
Profit attributable to owners of the Company (HK\$'000)	3,858	1,444	3,946	558
Weighted average number of ordinary shares for the purpose of basic earnings per share	400,170,000	400,022,541	400,170,000	400,044,835
Effect of diluted potential ordinary shares:				
Share options	—	166,331	—	251,608
Weighted average number of ordinary shares for the purpose of diluted earnings per share	400,170,000	400,188,872	400,170,000	400,296,443

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

8. EARNINGS PER SHARE *(continued)*

For the three months and the six months ended 30 June 2016, the computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options since the exercise price of the share options was higher than the average market price of the Company's shares during the three months and the six months ended 30 June 2016. Accordingly, the basic and diluted earnings per share are the same.

9. ACCOUNTS RECEIVABLE, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	(Unaudited) 30 June 2016 <i>HK\$'000</i>	(Audited) 31 December 2015 <i>HK\$'000</i>
Margin deposits for commodity forward contracts	32,732	28,365
Deposits and prepayments	387	560
	33,119	28,925

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

10. ACCOUNTS PAYABLE, ACCRUALS AND DEPOSITS RECEIVED

	(Unaudited) 30 June 2016 <i>HK\$'000</i>	(Audited) 31 December 2015 <i>HK\$'000</i>
Accruals	1,288	2,482
Margin deposits for commodity forward contracts	11,875	19,594
	13,163	22,076

11. AMOUNTS DUE TO RELATED COMPANIES

The amounts included HK\$305,000 margin deposit received from Well Charm Group Limited in which Mr. Felipe Tan ("Mr. Tan") acts as director and has equity interest. The remaining balance represented advance from GobiMin Silver Limited, a shareholder of the Company and Mr. Tan acts as director and has indirect equity interest. The advance is unsecured, interest bearing at 3.5% per annum and is repayable on demand with a 3 days' notice.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

12. SHARE CAPITAL

	Number of Shares	Share Capital <i>HK\$'000</i>
Issued and fully paid:		
At 31 December 2015	400,170,000	85,830
<hr/>		
At 30 June 2016	400,170,000	85,830
<hr/> <hr/>		

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group's income was mainly generated from the sales of silver, gold and tin products. During the period under review, benefit from resumption of gold and tin trading and increase in silver processing activities, the Group achieved a significant increase in the revenue for the six months ended 30 June 2016.

For the six months ended 30 June 2016, the Group recorded a turnover of approximately HK\$1,132 million (2015: HK\$564 million), representing an increase of 101% as compared with the corresponding period last year, of which 58% was contributed by sale of silver products and the remaining were contributed by sale of gold and tin (2015: 99% silver products). Other than the revenue from sales of gold and tin products, the increase was mainly due to increase in quantity sold of silver products by 18% to 159 tonnes (2015: 134 tonnes), resulted from the turnaround of the silver industry in Hong Kong. The Group processed 153 tonnes (2015: 132 tonnes) of silver scrap. The total processing volume represented an increase of 16% when compared with the same period last year.

Outlook

Silver market price regained its climbing trend from 2016 after falling for 12% last year to its lowest since 2009. It rose by 24% from US\$15.05 per ounce on 1 April 2016 to US\$18.71 per ounce on 30 June 2016. Its turnaround reflected an obvious improvement in investment and speculative demand, mainly caused by an impressive rally in gold prices. So far in 2016, the world's major importer of silver, India, was very slow in absorbing the white metal. Most silver were flowing into the exchange traded funds and strong investment hands. We, however, expect India to come into market strongly during the end of the third quarter to cover up the short fall. The physical market will be more active during the second half of this year.

Financial Review

For the six months ended 30 June 2016, the Group had a total income of approximately HK\$1,124 million (2015: HK\$565 million), representing an increase of 99% as compared with the same period of 2015. The Group recorded profit of approximately HK\$3.9 million (2015: HK\$1.4 million), representing an increase of 167% as compared with the last corresponding period. The increase in profit was due to (i) the profit contributed by the resumed tin and gold trading which has not been operated last year; and (ii) the increase in the sales of silver products as compared with the corresponding period in 2015.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Capital Structure, Liquidity and Financial Resources

As at 30 June 2016, the Group had cash and bank balances of approximately HK\$24.6 million (31 December 2015: HK\$36.0 million) and net current assets of approximately HK\$89.1 million (31 December 2015: HK\$84.8 million). As at 30 June 2016, the current ratio stood at 4.01 times (31 December 2015: 4.66 times).

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

As at 30 June 2016, the Group had outstanding borrowings of approximately HK\$14.9 million (31 December 2015: Nil). The details of the outstanding borrowings are as follows:

	30 June 2016		31 December 2015	
	Outstanding	Interest rate	Outstanding	Interest rate
Loan from a related company	US\$1,900,000	3.5% p.a.	—	—

The loan was settled after the reporting date.

As at 30 June 2016, the Group has loan facilities in aggregate amount of approximately HK\$41.1 million of which HK\$10.0 million was granted by a bank and the balance was granted by a shareholder. The Directors believed that the Group has adequate financial resources to fulfill its commitments and working capital requirements.

Gearing ratio

As at 30 June 2016, the Group's gearing ratio was 16% (31 December 2015: Nil), based on total interest bearing borrowings of approximately HK\$14.9 million and equity attributable to owners of the Company of approximately HK\$92.3 million. The increase in the ratio was mainly attributable to increase in loan from a related company during the period under review.

Charge on the Group's assets

As at 30 June 2016, no Group's asset 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.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Significant investments, acquisitions and disposals

There were no significant investment held as at 30 June 2016, nor other material acquisition and disposals of subsidiary during the period.

Capital commitment

As at 30 June 2016, 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 payment and expenses are settled in RMB and HK dollars 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 economics conditions and changes in the PRC government's economic and monetary policies. 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 the Group as at 30 June 2016 and there has not been any material change in contingent liabilities of the Group since 30 June 2016.

Employees and remuneration policy

As at 30 June 2016, the Group employed a total of 20 staff. The total of employee remuneration, including remuneration of the Directors, for the six months ended 30 June 2016 amounted to approximately HK\$3.6 million.

Staff remuneration is reviewed by the Group from time to time and raises are granted normally annually or by special adjustment depending on the length of service and performance when warranted. In addition to salaries, the Group provides staff benefits including medical 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.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Comparison of business objectives with actual business progress

Business Objectives for the six months ended 30 June 2016

Actual Business Progress up to the six months ended 30 June 2016

Expansion of our trading business

- | | |
|--|--|
| <ul style="list-style-type: none">• 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 fitness• Continue to liaise with members of CGSE to promote silver to local investors | <ul style="list-style-type: none">• The Group continued to trade with existing customers and suppliers and had two new customers and two new suppliers during the period• The Group continued to maintain good relationship with members of CGSE to promote silver to local investors |
|--|--|

Expansion and maintenance of processing facilities

- | | |
|--|--|
| <ul style="list-style-type: none">• Renew tenancy agreement of existing workshop or move to other location• Acquire additional processing equipment if required• Implement renovation of existing processing facilities if appropriate | <ul style="list-style-type: none">• The Group renewed tenancy agreement of the existing workshop• The Group did not acquire new processing equipment in view of the market condition and performance of the Group during the period• No renovation of the workshop was done in view of the market condition and performance of the Group during the period |
|--|--|

Use of proceeds

The planned use of the proceeds as stated in the listing document of the Company dated 29 July 2014 (the “Prospectus”) were based on the best estimation of future market condition 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 of a total of 120,000,000 ordinary shares at the placing price of HK\$0.36 per share on 4 August 2014 and was used according to the plan and adjusted for the actual market development. During the period from the date of Listing to 31 December 2015, the net proceeds had been fully applied.

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 9 August 2016 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 2016, 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
Mr. Tang Cornor Kwok Kau
Ms. Tsang Wai Chun Marianna

Hong Kong, 9 August 2016