

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

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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 report, 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 report 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 report misleading.

This report shall remain on the “Latest Company Announcements” page of GEM website at www.hkgem.com for at least seven days from the day of its publication and on the Company’s website at www.locohongkong.com.



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	(Unaudited)			
		Six months ended 30 June		Three months ended 30 June	
		2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Revenue					
— Sales of metal		563,679	1,299,107	281,411	600,458
— Interest income from customers and suppliers		1,913	743	1,072	478
— Order commission		97	20	76	2
		565,689	1,299,870	282,559	600,938
Trading gains/(losses) on commodity forward contracts		(919)	8,662	1,149	(4,270)
Other income		31	45	16	15
Total income		564,801	1,308,577	283,724	596,683
Inventories consumed		(557,598)	(1,295,199)	(280,253)	(589,438)
Staff costs		(2,878)	(1,444)	(1,691)	(788)
Depreciation		(370)	(436)	(189)	(223)
Foreign exchange gain/(loss)		2	(158)	1	507
Listing expenses		—	(6,818)	—	(3,409)
Other operating expenses		(2,894)	(2,494)	(1,632)	(986)
Gain on disposal of property, plant and equipment		775	—	694	—
Profit from operations		1,838	2,028	654	2,346
Finance costs	5	(188)	(1,252)	(96)	(478)
Profit before income tax expense		1,650	776	558	1,868
Income tax expense	6	(206)	(1,311)	—	(700)
Profit/(loss) and total comprehensive income/(loss) for the period		1,444	(535)	558	1,168
		HK cents	HK cents	HK cents	HK cents
Basic and diluted earnings/(losses) per share	8	0.36	(0.32)	0.14	0.69

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	(Unaudited) 30 June 2015 HK\$'000	(Audited) 31 December 2014 HK\$'000
Non-current assets			
Property, plant and equipment		2,077	3,119
Investment property		1,886	1,927
		3,963	5,046
Current assets			
Inventories		21,780	41,778
Accounts receivable, other receivable, deposits and prepayments	9	29,998	27,927
Derivative financial assets		172	2
Cash and cash equivalents		65,878	37,314
		117,828	107,021
Current liabilities			
Accounts payable, accruals and deposits received	10	20,292	22,524
Derivative financial liabilities		572	630
Bank loans	11	9,712	—
Tax payable		993	787
		31,569	23,941
Net current assets		86,259	83,080
Total assets less current liabilities/ Net assets		90,222	88,126
Capital and reserves			
Share capital	12	85,830	85,643
Reserves		4,392	2,483
Total equity		90,222	88,126



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		(Unaudited)				
	Note	Share capital HK\$'000	Share option reserve HK\$'000	Merger reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2014		15,000	—	—	8,383	23,383
Transactions with owners:						
Capitalisation for issue of shares		5,000	—	—	(5,000)	—
Dividend declared	7	—	—	—	(1,500)	(1,500)
		5,000	—	—	(6,500)	(1,500)
Loss and total comprehensive loss for the period		—	—	—	(535)	(535)
At 30 June 2014		20,000	—	—	1,348	21,348
At 1 January 2015		85,643	—	(1,357)	3,840	88,126
Profit and total comprehensive income for the period		—	—	—	1,444	1,444
		—	—	—	1,444	1,444
Recognition of equity-settled share-based payments		—	520	—	—	520
Issue of shares upon exercise of share options	12f	187	(55)	—	—	132
At 30 June 2015		85,830	465	(1,357)	5,284	90,222

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	(Unaudited)	
	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Net cash inflow from operating activities	16,708	59,892
Net cash inflow/(outflow) from investing activities	1,491	(336)
Net cash inflow/(outflow) from financing activities	10,365	(58,038)
Net increase in cash and cash equivalents	28,564	1,518
Cash and cash equivalents at beginning of period	37,314	3,940
Cash and cash equivalents at end of period	65,878	5,458
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	65,878	5,458



NOTES TO THE CONDENSED 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 Company and its subsidiaries (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, the Company underwent a reorganization (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 (the “Listing”). 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 “Prospectus”).

The Group is regarded as a continuing entity resulting from the Reorganisation as there is no change in the economic substance of the Group. Accordingly, these unaudited condensed 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.

The condensed consolidated statements of comprehensive income, condensed consolidated statements of changes in equity and condensed consolidated statements of cash flows of the Group for the six months ended 30 June 2014 and 2015, and the condensed consolidated statements of comprehensive income for the three months ended 30 June 2014 and 2015, include the results and cash flows of all companies now comprising the Group as if the current structure had been in existence throughout the respective periods.

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

2. BASIS OF PREPARATION 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 applicable 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 interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), except for the adoption of the new and revised HKFRSs as disclosed in note 3 below.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

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

These condensed consolidated interim financial statements have not been audited but have been reviewed by the audit committee of the Company and was approved for issue by the Directors on 11 August 2015.

The financial information relating to the year ended 31 December 2014 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 has delivered the financial statements for the year ended 31 December 2014 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance (Cap.622).

The Company's auditor has reported on the financial statements for the year ended 31 December 2014. 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. CHANGES IN ACCOUNTING POLICIES

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

- Annual Improvements to HKFRSs 2010-2012 Cycle
- Annual Improvements to HKFRSs 2011-2013 Cycle

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

5. FINANCE COSTS

	(Unaudited)			
	Six months ended 30 June		Three months ended 30 June	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Interests on bank loans, wholly repayable within five years	128	309	66	182
Interests on amount due to a related company	—	868	—	260
Total interest expenses	128	1,177	66	442
Bank charges	60	74	30	36
Interests on a finance lease	—	1	—	—
	188	1,252	96	478

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	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Current tax — Hong Kong profits tax charge for the period	206	1,311	—	700

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 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 2015 (2014: nil). Dividends declared and paid by China Precision Material Limited (“CPM”), a subsidiary of the Company, to the then shareholders for the six months ended 30 June 2014 was HK\$1,500,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

8. EARNINGS/(LOSSES) PER SHARE

The calculation of the basic and diluted earnings/(losses) per share are based on:

	(Unaudited)			
	Six months ended 30 June		Three months ended 30 June	
	2015	2014	2015	2014
Profit/(loss) attributable to owners of the Company (HK\$'000)	1,444	(535)	558	1,168
Weighted average number of ordinary shares for the purpose of basic earnings/(losses) per share	400,022,541	169,141,978*	400,044,835	169,141,978*
Effect of diluted potential ordinary shares: Share options	166,331	N/A	251,608	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings/(losses) per share	400,188,873	169,141,978#	400,296,443	169,141,978#

* after adjustment for the bonus issue pursuant to the Reorganisation (note 1).

no dilutive potential ordinary shares in issue in 2014.

9. ACCOUNTS RECEIVABLE, OTHER RECEIVABLE, DEPOSITS AND PREPAYMENTS

	(Unaudited) 30 June 2015 HK\$'000	(Audited) 31 December 2014 HK\$'000
Accounts receivable from customers	7,834	15,898
Margin deposits for commodity forward contracts	21,604	11,312
Deposits and prepayments	286	443
Deposit paid to a related party (note 13e)	274	274
	29,998	27,927

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

9. ACCOUNTS RECEIVABLE, OTHER RECEIVABLE, DEPOSITS AND PREPAYMENTS (Continued)

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

	(Unaudited) 30 June 2015 HK\$'000	(Audited) 31 December 2014 HK\$'000
Current	7,834	15,898

10. ACCOUNTS PAYABLE, ACCRUALS AND DEPOSITS RECEIVED

	(Unaudited) 30 June 2015 HK\$'000	(Audited) 31 December 2014 HK\$'000
Accruals	877	1,597
Trade deposits received	—	690
Deposit received from a related company (note 13f)	104	—
Margin deposits for commodity forward contracts	19,311	20,237
	20,292	22,524

11. BANK LOANS

The loan was a revolving bank loan bearing interest at 2.731% per annum secured by a corporate guarantee provided by the Company. The loan has been fully repaid on 10 July 2015.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

12. SHARE CAPITAL

	Number of Shares	Share Capital HK\$'000
Issued and fully paid:		
Upon incorporation (note a)	1	—
Issue of shares pursuant to the Reorganisation (note b)	19,999,999	21,357
Issue of bonus shares (note c)	149,141,978	—
Shareholder loan capitalisation (note d)	110,858,022	27,715
Issue of shares by placing (note e)	120,000,000	36,571
At 31 December 2014	400,000,000	85,643
Issue of ordinary shares upon exercise of share options (note f)	170,000	187
At 30 June 2015	400,170,000	85,830

Notes:

- a. The Company was incorporated in Hong Kong on 14 January 2014. Upon incorporation, 1 ordinary share was allotted and issued.
- b. On 23 July 2014, pursuant to the Reorganisation (note 1), the Company issued 19,999,999 ordinary shares at the consideration of approximately HK\$21,357,000 to the then shareholders of CPM for the entire issued capital of CPM.
- c. On 25 July 2014, additional of 149,141,978 ordinary shares were allotted and issued by way of bonus to the shareholders.
- d. On 4 August 2014, the Company allotted and issued 110,858,022 ordinary shares to a shareholder in full satisfaction of a loan of approximately HK\$27,715,000 due from the Company to the shareholder.
- e. On 5 August 2014, 120,000,000 ordinary shares were issued by placing at HK\$0.36 per share ("Placing"). Approximately HK\$36,571,000 was credited to share capital.
- f. On 10 April 2015, 1,630,000 share options were granted for a total consideration of HK\$31 to directors of the Company and employees of the Group under the Company's employee share option scheme. Each option gives the holder the right to subscribe for one ordinary share of the Company upon acceptance until 9 April 2025. The exercise price is HK\$0.78 per share, being the closing price of the Company's ordinary shares immediately before the grant. During the six months ended 30 June 2015, 170,000 options were exercised.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

13. RELATED PARTY TRANSACTIONS

- a. Saved as disclosed elsewhere in this report, the Group has the following significant related party transactions:

Name	Type of transaction	(Unaudited)			
		Six months ended 30 June		Three months ended 30 June	
		2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Three Principles Computer Services Co., Limited ¹	Data hosting service	10	—	—	—
Well Charm Group Limited ("Well Charm") ²	Sales of gold	(1,775)	—	(1,775)	—
Fine Asia Development Limited ³	Interest expenses	—	867	—	260
Fine Asia Development Limited ³	Share of office rental and related expenses	—	135	—	—
GobiMin Mineral Limited ³	Share of office rental and related expenses	271	107	135	97

¹ It is a subsidiary of a related company, in which Mr. Felipe Tan ("Mr. Tan") acts as director and has equity interest.

² It is a related company, in which Mr. Tan acts as director and has equity interest.

³ It is a fellow subsidiary of GobiMin Silver Limited, a shareholder of the Company, in which Mr. Tan acts as director and has equity interest.

- b. Apart from the above, during the period ended 30 June 2014, the Group has provided corporate guarantee in respect of a mortgage loan granted to GobiMin Mineral Limited amounting to HK\$16,000,000. The mortgage loan has been fully repaid on 1 August 2014 and the guarantee was released accordingly.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*(Continued)***13. RELATED PARTY TRANSACTIONS** *(Continued)*

- c. Members of key management comprise only of the Directors whose emoluments are set out below:

	(Unaudited)			
	Six months ended		Three months ended	
	30 June		30 June	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Short-term employee benefits	614	151	320	76
Share options granted	220	—	220	—
Contributions to pension scheme	19	8	4	4
	853	159	544	80

- d. During the period ended 30 June 2014, Mr. Tan and Mr. Huang Hongbin, a senior management, had provided personal guarantees to secure banking facilities granted to the Group. The personal guarantees were released during the year ended 31 December 2014.
- e. On 19 May 2014, the Group engaged Timeless Software Limited (stock code: 8028) ("Timeless") to design and build a trading software system at a cost of HK\$342,000 and an annual maintenance fee of HK\$57,000. A deposit of approximately HK\$274,000 (31 December 2014: HK\$274,000) has been paid at 30 June 2015 (note 9). Mr. Tan and Ms. Tsang Wai Chun Marianna, a Director, are also directors of Timeless and Mr. Tan has equity interest in Timeless.
- f. On 29 June 2015, a deposit of approximately HK\$104,000 was received (note 10) for a sale order placed by Well Charm. Mr. Tan is also a director of Well Charm and has equity interest.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

14. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES MEASURED AT FAIR VALUE

The following table presents the fair value of the Group's financial instruments that are measured at fair value at the end of the reporting period:

	30 June 2015			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Financial assets at fair value through profit or loss held for trading:				
— Commodity forward contracts	—	172	—	172
Financial liabilities at fair value through profit or loss held for trading:				
— Commodity forward contracts	—	572	—	572
	31 December 2014			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Financial assets at fair value through profit or loss held for trading:				
— Commodity forward contracts	—	2	—	2
Financial liabilities at fair value through profit or loss held for trading:				
— Commodity forward contracts	—	630	—	630

There is no transfer between Level 1, Level 2 and Level 3 of the fair value hierarchy during the six months ended 30 June 2015 (year ended 31 December 2014: nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

14. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES MEASURED AT FAIR VALUE *(Continued)*

Commodity forward contracts are financial assets or liabilities at fair value through profit or loss and their fair value is determined with reference to the commodity price available in active markets, mainly the London Bullion Market Association, which is Level 2 fair value measurement.

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Input for the asset or liability that is not based on observable market data (unobservable input).



MANAGEMENT DISCUSSION AND ANALYSIS

Reorganisation

The companies now comprising the Group completed the Reorganisation immediately before the Listing of the Company's shares on GEM on 5 August 2014. Further details of the Reorganisation are set out in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus.

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

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

Business Review

The international silver price remained at a comparatively low level throughout the period under review, that caused the overall supply of silver scraps in Hong Kong dropped. As a result, both the quantity of silver processed and sold by the Group dropped substantially during the period.

For the six months ended 30 June 2015, the Group processed approximately 132 tonnes of silver products (2014: approximately 247 tonnes) which represented a decrease of 46% when compared with the correspondence period in 2014.

For the six months ended 30 June 2015, the sales of processed silver products decreased by 45% to approximately 132 tonnes (2014: approximately 239 tonnes), and the direct trading of silver products decreased by 89% to approximately 2 tonnes (2014: approximately 22 tonnes).

In this connection, the revenue of the Group, which is mainly contributed by the sales of silver products, dropped by 57% for six months ended 30 June 2015 as compared to the corresponding period of last year.

Outlook

The demand and supply of the physical silver market during the period ended 30 June 2015 were adversely affected by the decrease in silver price and the global economic conditions. The silver price decreased by 25% from US\$21.03 per ounce on 30 June 2014 to US\$15.74 per ounce on 30 June 2015 and maintained at the level of around US\$15 per ounce for most of the period in July 2015. Due to the relatively low international silver price, the overall supply of silver scraps may remain inadequate and the volume of the silver processing and sales of the Group may still be adversely affected. According to the statistics released by the Hong Kong Census and Statistic Department, the total re-export of silver in Hong Kong reduced by 46% from 1,743 tonnes for the five months ended 31 May 2014 to 941 tonnes for the same period in 2015. Our reduced turnover in the corresponding period of 2014 and 2015 represented a slight decrease of only 0.9% of our market share in the silver market of Hong Kong. Under the current market conditions, it is expected that our turnover will remain at low level even if we can maintain our market share.

The Group will keep closely monitoring the global economic situation and will take immediate and necessary action to address the market challenges. To boost its profit in the long run, the Group is still studying the possibility of branching out its businesses by building a raw material supply base in China.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Financial Review

For the six months ended 30 June 2015, the Group recorded a total income of approximately HK\$0.6 billion, representing a decrease of 57% against the corresponding period in 2014. Profit for the period under review was approximately HK\$1.4 million, as compared to the loss of approximately HK\$0.5 million recorded in the corresponding period of last year.

The loss incurred in last year was due to the recognition of the listing expenses of approximately HK\$6.8 million. If ignoring such expense, the Group should have recorded a profit for the six months ended 30 June 2014 of approximately HK\$6.3 million. Under this scenario, the profit recorded for the current period was dropped by 77% as compared with the corresponding period of last year even though a gain on disposal of property plant and equipment of approximately HK\$0.7 million was recorded during the period. The decrease of profit was mainly due to (i) the decrease in sales of silver products which in turn was caused by the inadequate silver supply, and (ii) increase in staff cost by 99% to approximately HK\$2.9 million as more staff was employed in current period as compared to last corresponding period and approximately HK\$0.5 million was provided for the share option granted on 10 April 2015.

Capital Structure, Liquidity and Financial Resources

As at 30 June 2015, the Group had cash and bank balances of approximately HK\$65.9 million (31 December 2014: approximately HK\$37.3 million) and net current assets of approximately HK\$86.3 million (31 December 2014: approximately HK\$83.1 million). As at 30 June 2015, the current ratio stood at 3.73 times (31 December 2014: 4.47 times).

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

As at 30 June 2015, the Group had outstanding borrowings of approximately HK\$9.7 million (31 December 2014: Nil). The details of the outstanding borrowings are as follows:

	Outstanding	30 June 2015 Interest rate	Outstanding	31 December 2014 Interest rate
Bank borrowings	US\$1,250,000	2.731% p.a.	—	—

As at 30 June 2015, the Group has banking facilities in aggregate amount of approximately HK\$87.7 million. The Directors believe that the Group has adequate financial resources to fulfill its commitments and working capital requirements.

Gearing ratio

As at 30 June 2015, the Group's gearing ratio was 11% (31 December 2014: Nil), based on total interest bearing borrowings of approximately HK\$9.7 million and equity attributable to owners of the Company of approximately HK\$90.2 million. The increase in the ratio was mainly attributable to increase in bank borrowings during the period under review.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Charge on the Group's assets

As at 30 June 2015, no Group's asset is 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.

Significant investments, acquisitions and disposals

There were no significant investment held as at 30 June 2015, nor other material acquisitions and disposals of subsidiaries during the period.

Capital commitment

As at 30 June 2015, the Group did not have any significant capital commitment.

Foreign Exchange Exposure

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

Our sales, purchases and borrowings are predominantly denominated in US\$. However, some of our receipt, payment and expenses are settled in RMB and 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 economic conditions and changes in the PRC government's economic and monetary policies. The possible ongoing appreciation of the RMB against the relevant foreign currencies would have an adverse effect on purchasing power of the relevant foreign currencies and our business and performance.

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

Contingent liabilities

The Group 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 2015 and there has not been any material change in the contingent liabilities of the Group since 30 June 2015.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Employees and remuneration policy

As at 30 June 2015, the Group employed a total of 18 staff. The total of employee remuneration, including remuneration of the Directors, for the six months ended 30 June 2015 amounted to approximately HK\$2.9 million.

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

Comparison of business objectives with actual business progress

Business Objectives for the six months ended 30 June 2015

Actual Business Progress for the six months ended 30 June 2015

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 • Recruit additional trading staff to cope with increasing trading activities • 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 has 2 new suppliers and 1 new customer of silver. • The Group did not recruit additional trading staff due to the current market conditions. • The Group continued to have a stable relationship with CGSE and local investors. |
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Expansion and maintenance of processing facilities

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| <ul style="list-style-type: none"> • Obtain licenses required and commence using our electrolysis facilities • Expand raw material procurement to cover materials with a lower fineness • Evaluate effectiveness and efficiency of our existing processing facilities after building the testing laboratory | <ul style="list-style-type: none"> • The registration and licenses required for electrolysis activities were completed in early 2015. The electrolysis facilities are ready for use, subject to the market condition. • The Group did not expand the raw material procurement with lower fineness during the period due to shortage of market supply. • The set up of the testing laboratory has been completed. The Group is laying down the plan on evaluating the effectiveness and efficiency of the existing processing facilities after fine-tuning certain equipments of the laboratory. |
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MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Use of proceeds

The planned use of the proceeds as stated in 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 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 2014, the net proceeds had been fully applied.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2015, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions

(a) Ordinary shares of the Company

Name of Directors/ Chief Executive	Nature of Interests	Number of shares	% of shareholding
Felipe Tan	Interest of a controlled corporation	193,260,000 (Note)	48.29%
Chau Mei Fan	Beneficial owner	1,209,365	0.30%

Note: As at 30 June 2015, Mr. Tan directly and indirectly owned 60.77% equity interests in GobiMin Inc. (TSXV Symbol: GMN) which held 100% equity interests in GobiMin Investments Limited, which in turn held 100% equity interests in GobiMin Silver Limited, the controlling shareholder of the Company. By virtue of the SFO, Mr. Tan, GobiMin Inc. and GobiMin Investments Limited are deemed to have interest in 193,260,000 shares of the Company held by GobiMin Silver Limited.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

(Continued)

(b) Interests in shares of associated corporation of the Company

Name of Directors	Name of Associated Corporation	Nature of Interests	Number of shares	% of shareholding
Felipe Tan	Good Omen Investments Limited	Beneficial owner	100	100.00%
Felipe Tan	Belmont Holdings Group Limited	Interest of a controlled corporation & beneficial owner	8,633	84.60%
Felipe Tan	GobiMin Inc.	Interest of a controlled corporation & beneficial owner	32,069,000	60.77%
Felipe Tan	GobiMin Investments Limited	Interest of a controlled corporation	1,000	60.77%
Felipe Tan	GobiMin Silver Limited	Interest of a controlled corporation	1,000	60.77%

(c) Options to subscribe for ordinary shares of the Company

The Company adopted a share option scheme on 22 July 2014 ("Share Option Scheme"). Particulars of the directors' interests in Share Option Scheme were as follows:

Name of Director	Grant Date	Exercise price per share HK\$	Vesting and Exercise period	Number of share options and underlying shares					Outstanding as at 30.6.2015
				Outstanding as at 1.1.2015	Granted	Exercised	Cancelled	Lapsed	
Felipe Tan	10.4.2015	0.78	10.4.2015 - 9.4.2025	0	250,000	0	0	0	250,000
Chau Mei Fan	10.4.2015	0.78	10.4.2015 - 9.4.2025	0	200,000	0	0	0	200,000
Chan Ka Ling Edmond	10.4.2015	0.78	10.4.2015 - 9.4.2025	0	80,000	0	0	0	80,000
Tang Cornor Kwok Kau	10.4.2015	0.78	10.4.2015 - 9.4.2025	0	80,000	0	0	0	80,000
Tsang Wai Chun Marianna	10.4.2015	0.78	10.4.2015 - 9.4.2025	0	80,000	0	0	0	80,000
				0	690,000	0	0	0	690,000

Short Positions

As at 30 June 2015, no short positions of Directors and chief executives in the shares of the Company and its associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2015, the following persons/entities (other than the Directors and chief executives of the Company as disclosed above) have interest or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 5% or more of the number of shares in issue of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name	Nature of Interests	Number of ordinary shares	% of shareholding
GobiMin Inc.	Interest of a controlled corporation	193,260,000	48.29%
GobiMin Investments Limited	Interest of a controlled corporation	193,260,000	48.29%
GobiMin Silver Limited	Beneficial owner	193,260,000	48.29%
Huang Hongbin	Interest of a controlled corporation	54,700,516 (Note 1)	13.67%
Hong Jin Group Limited	Beneficial owner	54,700,516	13.67%
Wong Kei Yuen	Interest of a controlled corporation	25,398,095 (Note 2)	6.35%
CHP1855 Limited	Beneficial owner	25,398,095	6.35%

Note 1: These shares are held by Hong Jin Group Limited, which is wholly and beneficially owned by Mr. Huang Hongbin. By virtue of the SFO, Mr. Huang Hongbin is deemed to have interest in the 54,700,516 ordinary shares of the Company held by Hong Jin Group Limited. Mr. Huang Hongbin is a director of subsidiaries of the Company.

Note 2: These shares are held by CHP 1855 Limited, which is wholly and beneficially owned by Mr. Wong Kei Yuen. By virtue of the SFO, Mr. Wong Kei Yuen is deemed to have interest in the 25,398,095 ordinary shares of the Company held by CHP1855 Limited.

Save as disclosed above, no other interests or short positions of any persons/entities (other than the Directors and chief executives of the Company) in the shares or underlying shares of the Company were recorded in the register or as otherwise notified to the Company and the Stock Exchange as at 30 June 2015.

SHARE OPTIONS

A summary of the share options granted under the Share Option Scheme are as follows:

Type of Participants	Grant Date	Exercise price per share HK\$	Vesting and Exercise period	Number of share options and underlying shares					Outstanding as at 30.6.2015
				Outstanding as at 1.1.2015	Granted	Exercised	Cancelled	Lapsed	
Directors	10.4.2015	0.78	10.4.2015 - 9.4.2025	0	690,000	0	0	0	690,000
Employees	10.4.2015	0.78	10.4.2015 - 9.4.2025	0	940,000	170,000	0	0	770,000
				0	1,630,000	170,000	0	0	1,460,000

The fair value of the options granted during the period was HK\$0.319 per option which was determined by using the Black-Scholes option pricing model with the following assumptions. The fair value of the option varies with different variables of these subjective assumptions and is subject to the limitation of the model. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

Exercise price	HK\$0.78
Expected life	5 years
Expected volatility	45.9%
Dividend yield	—
Discount rate	1.09%
Forfeiture rate	—

The closing price of the shares of the Company immediately before the share options granted on 10 April 2015 was HK\$0.78.

The weighted average closing price of the shares immediately before the date on which the options were exercised by employees was approximately HK\$1.04.

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.

COMPETITION AND CONFLICT OF INTEREST

Apart from the business of the Group, Mr. Tan is also engaged in the other businesses including directly and indirectly owned (i) approximately 60.77% equity interests in GobiMin Inc., which is engaged in the exploration and exploitation of mineral resources in Xinjiang, PRC, shares of which are listed on the TSX Venture Exchange in Canada, and (ii) approximately 26.19% equity interests in Timeless, which is principally engaged in the information technology business and mining business, and shares of which are listed on GEM, as at 30 June 2015.

COMPETITION AND CONFLICT OF INTEREST *(Continued)*

Our Directors believe that the investments referred above are in completely different sectors from that of the Group and therefore do not and will not compete with the business of the Group. The Group is mainly engaged in the trading of metals in Hong Kong, while GobiMin Inc. is involved in upstream activities of exploration and mining which involve entirely different technologies, machinery and expertise. Accordingly, the Group and GobiMin Inc. and its subsidiaries (“GobiMin Group”) are positioned in different specialised segments of the industry. The products of GobiMin Group may be similar with that the Group such as gold, but the market of GobiMin Group is in the PRC while the Group is in Hong Kong and overseas (excluding the PRC) and as such, our Directors consider that there is no overlapping in respect of the market between GobiMin Group and the Group. Furthermore, Timeless is involved in the information technology sector and mining business which is entirely different from our metal processing and trading business.

Mr. Tan, a director of both of the Group and GobiMin Group, has entered into a deed of non-competition in favour of the Group. Details of the deed of non-competition are set out in the section headed “Relationship with Our Controlling Shareholders” to the Prospectus.

Apart from those investments disclosed above, to the best knowledge of the Directors, none of the Directors, management, shareholders or substantial shareholders of the Company or any of its respective associates has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, as defined in the GEM Listing Rules, or has any other conflict of interests with the Group during the six months ended 30 June 2015.

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 11 August 2015 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 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 of Conduct Regarding Securities Transactions by Directors

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, they confirmed their compliance with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by the Company throughout the six months ended 30 June 2015.

Audit Committee

We established our audit committee on 22 July 2014 with written terms of reference in compliance with paragraph C.3 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The duties of the audit committee include reviewing, in draft form, our annual report and accounts, half-yearly report and quarterly report and providing advice and comments to the Board. In this regard, members of the audit committee will liaise with the Board, our senior management, our reporting accountants and auditors. Our audit committee will also consider any significant or usual items that are, or may need to be, reflected in such reports and accounts and give consideration to any matters that have been raised by our accounting staff, compliance officers or auditors. Members of our audit committee are also responsible for reviewing our Company's financial reporting process and internal control system.

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

The Audit Committee has reviewed the unaudited condensed combined interim financial statements of the Group for the six months ended 30 June 2015.

Remuneration Committee

We established our remuneration committee on 22 July 2014 with written terms of reference in compliance with paragraph B.1 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. Amongst other things, the primary duties of the remuneration committee are to determine the specific remuneration packages of all of our executive Directors and senior management, including benefits in kind, pension rights and compensation payments, any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board on remuneration of independent non-executive Directors.

Our remuneration committee comprises Mr. Tang Cornor Kwok Kau, Mr. Chan Ka Ling Edmond, Ms. Tsang Wai Chun Marianna and Mr. Tan. Mr. Tang Cornor Kwok Kau is the chairman of our remuneration committee.

CORPORATE GOVERNANCE *(Continued)*

Nomination Committee

We established our nomination committee on 22 July 2014 with written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code as set out in Appendix 15 to GEM Listing Rules. The nomination committee is mainly responsible for making recommendations to the Board on appointment and succession planning of our Directors.

Our nomination committee comprises Ms. Tsang Wai Chun Marianna, Mr. Chan Ka Ling Edmond, Mr. Tang Cornor Kwok Kau and Mr. Tan. Ms. Tsang Wai Chun Marianna is the chairlady of the nomination committee.

Hedging Committee

We established our hedging committee on 22 July 2014 with written terms of reference. The hedging committee is mainly responsible for evaluating our hedging strategies and performance.

Our hedging committee comprises Mr. Tang Cornor Kwok Kau, Mr. Chan Ka Ling Edmond, Mr. Tan and Ms. Chau Mei Fan. Mr. Tang Cornor Kwok Kau is the chairman of the hedging committee.

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, 11 August 2015