



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.

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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 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.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Unaudited)
Three months ended
31 March

	Note	2016 HK\$'000	2015 HK\$'000
Revenue			
— Sales of metal		158,272	282,268
— Interest income from customers and suppliers		1,097	841
— Processing fee		83	—
— Order commission		87	21
		159,539	283,130
Trading losses on commodity forward contracts		(950)	(2,068)
Other income		65	15
Total income		158,654	281,077
Inventories consumed		(155,259)	(277,345)
Staff costs		(1,726)	(1,187)
Depreciation		(291)	(181)
Foreign exchange gains		—	1
Gain on disposal of property, plant and equipment		—	81
Other operating expenses		(1,407)	(1,262)
Profit/(Loss) from operations		(29)	1,184
Finance costs	5	(59)	(92)
Profit/(Loss) before income tax expense		(88)	1,092
Income tax expense	6	—	(206)
Profit/(Loss) and total comprehensive income for the period		(88)	886
		HK cents	HK cents
Basic and diluted earnings/(losses) per share	8	(0.02)	0.22

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Unaudited)

	Share capital HK\$'000	Share option reserve HK\$'000	Merger reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2015	85,643	—	(1,357)	3,840	88,126
Profit and total comprehensive income for the period	—	—	—	886	886
At 31 March 2015	85,643	—	(1,357)	4,726	89,012
At 1 January 2016	85,830	459	(1,357)	3,533	88,465
Loss and total comprehensive income for the period	—	—	—	(88)	(88)
Transactions with owners: Lapse of share options	—	(3)	—	3	—
At 31 March 2016	85,830	456	(1,357)	3,448	88,377

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 shares of the Company are listed on GEM.

The Company and its subsidiaries (collectively the “Group”) are principally engaged in the trading of metals and commodity forward contracts in Hong Kong.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared to comply with 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 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 (“HKFRSs”), except for the adoption of the new and revised HKFRSs as disclosed in note 3 below.

These condensed consolidated 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 financial statements are presented in Hong Kong dollars.

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 10 May 2016.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

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 these amendments has 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) Three months ended 31 March	
	2016 HK\$'000	2015 HK\$'000
Interests on bank loans	32	62
Bank charges	27	30
	59	92

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

6. INCOME TAX EXPENSE

The amount of the income tax expense represents the following:

	(Unaudited) Three months ended 31 March	
	2016 HK\$'000	2015 HK\$'000
Current tax — Hong Kong profits tax charge for the period	—	206

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 three months ended 31 March 2016 (2015: nil).

8. EARNINGS/(LOSSES) PER SHARE

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

	(Unaudited) Three months ended 31 March	
	2016	2015
Profit/(loss) for the purpose of basic earnings/(losses) per share (HK\$'000)	(88)	886
Weighted average number of ordinary shares for the purpose of basic earnings/(losses) per share	400,170,000	400,000,000

For the period ended 31 March 2016, the computation of diluted losses per share does not assume the exercise of the Company's outstanding share options since their exercise would result in decrease in losses per share for the period. Accordingly, the basic and diluted losses per share are the same.

For the period ended 31 March 2015, the basic and diluted earnings per share are the same as the Company had no potential dilutive ordinary shares issued.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group's income was mainly generated from the sale of metals, including silver, tin and gold. During this quarter, the inadequate supply of silver materials caused by low silver market price had not been relieved. Accordingly, the Group was under the pressure of declining sales volume of silver products during this quarter. For the three months ended 31 March 2016, the Group processed 31 tonnes (2015: 66 tonnes) of silver scrap. The total processing volume represented a decrease of 53% when compared with the same period last year. For the three months ended 31 March 2016, the Group recorded a revenue from sales of metal of approximately HK\$158 million (2015: HK\$282 million), representing a decrease of 44% as compared with last year, of which 76% was contributed by sale of silver products and the remainings were contributed by sale of gold and tin (2015: 100% silver products). Such decrease in sale revenue was due to the decrease in quantity sold of silver products by 76% to 32 tonnes (2015: 66 tonnes).

Outlook

Silver market price recorded a continuous decline for most 2011 to 2015, but the past few months have seen a recovery. It rose approximately 29% from US\$13.85 per ounce at the beginning of the year to US\$17.85 per ounce on 29 April 2016. With the strong price bounce during the first quarter of 2016, we expect the silver to continue to trade within the range between US\$13.65 to US\$18.00 per ounce during most of 2016. Silver supply may gradually pick up and shall support the Group on its way to recover into profit. At the same time, the Group has resumed trading in other metals, which we had operated before during last few years. Affected by the declining tendency of metal prices as well as the continuous industrial recession, the Group becomes more and more sensitive to market changes. We have formulated risk control measures to cope with the potential market fluctuations. Meanwhile, we will also seize the opportunity of improved investment sentiment brought up by the current recovery to develop our silver business and consolidate our advantages.

Financial Review

For the three months ended 31 March 2016, the Group had a total income of approximately HK\$159 million (2015: HK\$282 million), representing a decrease of 44% as compared with the same period of 2015. The Group recorded loss of approximately HK\$88,000 (2015: profit of HK\$0.9 million) for the first quarter. The decrease in profit was due to (i) decrease in revenue from sale of metals by 44% from HK\$282 million in the same period of last year to HK\$158 million in current period; and (ii) increase in staff cost by 45% from HK\$1.2 million in last corresponding period to HK\$1.7 million in current period. The increase in staff cost in the period under review was mainly attributable to that more staff was required for the laboratory, internal control and compliance matters and due to payroll raised for existing staff.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Significant investments, acquisitions and disposals

There were no significant investment held as at 31 March 2016, nor other material acquisition and disposals of subsidiary during the period.

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 31 March 2016.

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

As at 31 March 2016, 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 Executives	Nature of Interests	Number of shares	% of shareholding
Felipe Tan ("Mr. Tan")	Interest of a controlled corporation & beneficial owner	153,510,000 <i>(Note)</i>	38.36%
Chau Mei Fan	Beneficial owner	1,409,365	0.35%

Note: Mr. Tan directly and indirectly owned 66.02% equity interests in GobiMin Inc. 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 the 153,260,000 ordinary shares of the Company held by GobiMin Silver Limited. He was granted by the Company 250,000 share options on 10 April 2015 pursuant to the Company's option scheme.

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

(Continued)

Long positions (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	34,689,000	66.02%
Felipe Tan	GobiMin Investments Limited	Interest of a controlled corporation	1,000	66.02%
Felipe Tan	GobiMin Silver Limited	Interest of a controlled corporation	1,000	66.02%

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

(Continued)

Long positions (Continued)

(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 Options Scheme were as follows:

Name of Directors	Grant Date	Exercise price per share HK\$	Exercise period	Number of share options and underlying shares					Outstanding as at 31.3.2016
				Outstanding as at 1.1.2016	Granted	Exercised	Cancelled	Lapsed	
Felipe Tan	10.4.2015	0.78	10.4.2015 - 9.4.2025	250,000	0	0	0	0	250,000
Chau Mei Fan	10.4.2015	0.78	10.4.2015 - 9.4.2025	200,000	0	0	0	0	200,000
Chan Ka Ling Edmond	10.4.2015	0.78	10.4.2015 - 9.4.2025	80,000	0	0	0	0	80,000
Tang Cornor Kwok Kau	10.4.2015	0.78	10.4.2015 - 9.4.2025	80,000	0	0	0	0	80,000
Tsang Wai Chun Marianna	10.4.2015	0.78	10.4.2015 - 9.4.2025	80,000	0	0	0	0	80,000
				690,000	0	0	0	0	690,000

Short Positions

As at 31 March 2016, no short positions of Directors or 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 31 March 2016, 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 which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name	Nature of Interests	Number of ordinary shares	% of shareholding
GobiMin Inc.	Interest of a controlled corporation	153,260,000	38.30%
GobiMin Investments Limited	Interest of a controlled corporation	153,260,000	38.30%
GobiMin Silver Limited	Beneficial owner	153,260,000	38.30%
Huang Hongbin	Interest of a controlled corporation & beneficial owner	42,780,516 (Note 1)	10.69%
Hong Jin Group Limited	Beneficial owner	42,700,516	10.67%

Note 1: These shares were held by Hong Jin Group Limited, which is wholly and beneficially owned by Mr. Huang Hongbin. By virtue of the SFO, Mr. Huang Hongbin was deemed to have interest in the 42,700,516 ordinary shares of the Company held by Hong Jin Group Limited. Mr. Huang Hongbin was granted by the Company 80,000 shares options on 10 April 2015 pursuant to the Company's option scheme.

Save as disclosed above, no other interests or short positions of any persons/entities (other than the Directors and the 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 31 March 2016.

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 66.02% equity interests in GobiMin Inc., which is engaged in the exploration and exploitation of mineral resources in Xinjiang, PRC, and shares of which are listed on the TSX Venture Exchange in Canada (symbol: GMN); and (ii) approximately 25.93% equity interests in Timeless Software Limited ("Timeless"), which is principally engaged in the information technology business and mining business, and shares of which are listed on GEM, as at 31 March 2016.

COMPETITION AND CONFLICT OF INTEREST *(Continued)*

The 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 specialized segments of the industry. The products of GobiMin Group may be similar with that of 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 of the Company dated 29 July 2014.

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 year ended 31 March 2016.

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 10 May 2016 which is required to be notified to the Company pursuant to Rule 6A.32 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, 10 May 2016