



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

(incorporated in Hong Kong with limited liability)

(Stock Code: 8162)

Third
Quarterly
Report

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.

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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.locohkholdings.com.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

					(Unaudited)				
					Three months ended 30 September		Nine months ended 30 September		
					2016	2015	2016	2015	
					HK\$'000	HK\$'000	HK\$'000	HK\$'000	
					Note				
Revenue									
– Sales of metal						186,230	1,733,277	749,909	
– Interest income from customers and suppliers						1,302	3,098	3,215	
– Order commission						34	781	131	
– Processing fee income						246	293	246	
						602,611	1,737,449	753,501	
Trading (losses)/gains on commodity forward contracts						2,852	(16,882)	1,933	
Other income						8	456	39	
Total income						190,672	1,721,023	755,473	
Inventories consumed						(187,083)	(1,700,937)	(744,681)	
Staff costs						(1,978)	(6,316)	(4,856)	
Depreciation						(313)	(677)	(683)	
Foreign exchange gain						1	162	3	
Other operating expenses						(1,343)	(4,794)	(4,237)	
Gain on disposal of property, plant and equipment						–	–	775	
Profit/(loss) from operations						(44)	8,461	1,794	
Finance costs					5	(100)	(1,225)	(288)	
Profit/(loss) before income tax expense						(144)	7,236	1,506	
Income tax (expense)/credit					6	2	(1,285)	(204)	
Profit/(loss) and total comprehensive income/ (expense) for the period attributable to owners of the Company						(142)	5,951	1,302	
						HK cents	HK cents	HK cents	HK cents
Basic and diluted earnings/(losses) per share					8	(0.04)	1.49	0.33	

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$'000	Share option reserve HK\$'000	Merger reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2015 (Audited)	85,643	-	(1,357)	3,840	88,126
Profit and total comprehensive income for the period	-	-	-	1,302	1,302
Transactions with owners:					
Recognition of equity-settled share-based payments	-	520	-	-	520
Issue of shares upon exercise of share options	187	(55)	-	-	132
Lapse of share options	-	(6)	-	6	-
	187	459	-	6	652
At 30 September 2015 (Unaudited)	85,830	459	(1,357)	5,148	90,080
At 1 January 2016 (Audited)	85,830	459	(1,357)	3,533	88,465
Profit and total comprehensive income for the period	-	-	-	5,951	5,951
Transactions with owners:					
Lapse of share options	-	(38)	-	38	-
At 30 September 2016 (Unaudited)	85,830	421	(1,357)	9,522	94,416

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 have changed from Room 2003, 118 Connaught Road West, Hong Kong to Room 1702, World-wide House, 19 Des Voeux Road Central, Central, Hong Kong.

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 unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and 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, except for the adoption of certain 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 (“HK\$”) and 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 have not been audited but have been reviewed by audit committee of the Company and was approved for issue by the Directors on 9 November 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 the above new and revised HKFRSs has had no significant financial impact on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in those condensed consolidated financial statements. The Group has not early adopted any new HKFRSs that have been issued but are 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 30 September		Nine months ended 30 September	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Interests on bank loans	38	68	107	196
Interests on amount due to a related company	203	–	302	–
Interests on convertible bonds <i>(Note)</i>	710	–	710	–
Total interest expenses	951	68	1,119	196
Bank charges	47	32	106	92
	998	100	1,225	288

Note: The effective interest rate of convertible bonds is 9.87% (nine months ended 30 September 2015: nil).

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

6. INCOME TAX EXPENSE/(CREDIT)

The amount of the income tax expense/(credit) represents the following:

	(Unaudited)			
	Three months ended 30 September		Nine months ended 30 September	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Current tax – Hong Kong Profits Tax charge for the period	520	(2)	1,285	204

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 profit during the respective periods.

7. DIVIDENDS

The Board does not recommend the payment of any dividend of the Company for the nine months ended 30 September 2016 (nine months ended 30 September 2015: nil).

8. EARNINGS/(LOSSES) PER SHARE

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

	(Unaudited)			
	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
Profit/(loss) attributable to owners of the Company (HK\$'000)	2,093	(142)	5,951	1,302
Weighted average number of ordinary shares for the purpose of basic earnings per share	400,170,000	400,170,000	400,170,000	400,072,234
Effect of diluted potential ordinary shares: Share options	–	–	–	136,604
Weighted average number of ordinary shares for the purpose of diluted earnings per share	400,170,000	400,170,000	400,170,000	400,208,838

For the three months and nine months ended 30 September 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 share during the three months and the nine months ended 30 September 2016. Accordingly, the basic and diluted earnings per share are the same.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group's income was mainly generated from the sales of silver, gold and tin products. During this quarter, 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 nine months ended 30 September 2016.

For the nine months ended 30 September 2016, the Group recorded a revenue from metal sales of approximately HK\$1,733 million (2015: approximately HK\$750 million), representing an increase of 131% as compared with the corresponding period of last year, of which 72% 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 34% to 247 tonnes (2015: 184 tonnes), resulted from the turnaround of the silver industry in Hong Kong.

On 23 June 2016 (after trading hours of the Stock Exchange), the Company entered into the placing agreement with the placing agent pursuant to which the placing agent has conditionally agreed to procure 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. On 15 July 2016, completion of the placing agreement took place and the convertible bonds with an aggregate principal amount of HK\$36,800,000 were issued to the placees and 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 at initial conversion price of HK\$0.46 per conversion share.

Outlook

For the coming future, the Group will continue to carry on its sales of metal, which mainly from silver product. The silver market price materially affected the silver industry of Hong Kong. Due to the significant fluctuation of silver market price in the past few years, the Company would actively seek for new market opportunities and development of new business to strive for a sustainable development and to bring the maximum returns for all the shareholders.

Financial Review

For the three months ended 30 September 2016, the Group had a total income of approximately HK\$597 million (2015: approximately HK\$191 million), representing an increase of 213% as compared with the corresponding period of last year. The Group recorded profit of approximately HK\$2.6 million (2015: loss of approximately HK\$0.1 million), representing an increase of 19 times 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 metal as compared with the corresponding period in last year.

Dividend

The Board does not recommend the payment of any dividend for the nine months ended 30 September 2016 (nine months ended 30 September 2015: nil).

Significant investments, acquisitions and disposals

There were no significant investment held at 30 September 2016, nor other material acquisitions and disposals of subsidiaries during the period.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

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 at 30 September 2016.

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

At 30 September 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 Director	Nature of Interests	Number of shares	% of shareholding
Felipe Tan	Interest of a controlled corporation & beneficial owner	40,510,000 <i>(Note)</i>	10.12%

Note: Mr. Tan directly and indirectly owned 67.35% 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 40,260,000 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.

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

Name of Director	Name of Associated Corporation	Nature of Interests	Number of shares	% of shareholding
Felipe Tan	Good Omen Investments	Beneficial owner	100	100.00%
Felipe Tan	Belmont Holdings Group Limited	Interest of a controlled corporation & beneficial owner	10,205	100.00%
Felipe Tan	GobiMin Inc.	Interest of a controlled corporation & beneficial owner	34,689,000	67.35%
Felipe Tan	GobiMin Investments Limited	Interest of a controlled corporation	1,000	67.35%
Felipe Tan	GobiMin Silver Limited	Interest of a controlled corporation	1,000	67.35%

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 Director	Grant Date	Exercise price per share HK\$	Vesting and Exercise period	Number of share options and underlying shares					Outstanding as at 30.9.2016	
				Outstanding as at 1.1.2016	Granted	Exercised	Cancelled	Transferred		Lapsed
Felipe Tan	10.4.2015	0.78	10.4.2015 – 9.4.2025	250,000	-	-	-	-	-	250,000
Chau Mei Fan (Note 1)	10.4.2015	0.78	10.4.2015 – 9.4.2025	200,000	-	-	-	(200,000)	-	-
Chan Ka Ling Edmond	10.4.2015	0.78	10.4.2015 – 9.4.2025	80,000	-	-	-	-	-	80,000
Tang Cornor Kwok Kau (Note 2)	10.4.2015	0.78	10.4.2015 – 9.4.2025	80,000	-	-	-	-	(80,000)	-
Tsang Wai Chun Marianna	10.4.2015	0.78	10.4.2015 – 9.4.2025	80,000	-	-	-	-	-	80,000
				690,000	-	-	-	(200,000)	(80,000)	410,000

Note 1: Chau Mei Fan resigned as Director and remained as employee of the Group on 9 September 2016.

Note 2: Tang Cornor Kwok Kau resigned on 9 September 2016. According to the Share Option Scheme, the option granted shall lapse automatically and not be exercisable.

Short Positions

At 30 September 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

At 30 September 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
Hon Pok	Beneficial owner	76,000,000	18.99%
Belmont Holdings Group Limited	Interest of a controlled corporation	40,260,000	10.06%
GobiMin Inc.	Interest of a controlled corporation	40,260,000	10.06%
GobiMin Investments Limited	Interest of a controlled corporation	40,260,000	10.06%
GobiMin Silver Limited	Beneficial owner	40,260,000	10.06%
Good Omen Investments Limited	Interest of a controlled corporation	40,260,000	10.06%

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 at 30 September 2016.

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 1.1.2016	Granted	Exercised	Cancelled	Transferred	Lapsed	Outstanding as at 30.9.2016
Directors	10.4.2015	0.78	10.4.2015 – 9.4.2025	690,000	-	-	-	(200,000)	(80,000)	410,000
Employees	10.4.2015	0.78	10.4.2015 – 9.4.2025	600,000	-	-	-	200,000	-	800,000
Others	10.4.2015	0.78	10.4.2015 – 9.4.2025	150,000	-	-	-	-	(40,000)	110,000
				1,440,000	-	-	-	-	(120,000)	1,320,000

SHARE OPTIONS *(Continued)*

The fair value of equity-settled share options granted 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 difference 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	–

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 equity interests in (i) 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) Timeless Software Limited ("Timeless"), which is principally engaged in the information technology business and mining business, and shares of which are listed on GEM, at 30 September 2016.

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 noncompetition in favour of the Group (the "Deed"). The Deed is ceased on 26 August 2016 as Mr. Tan ceased to own 30% or more issued share capital of the Company. Details of the deed of non-competition are set out in the section headed "Relationship with Our Controlling Shareholders" in the Prospectus.

COMPETITION AND CONFLICT OF INTEREST *(Continued)*

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 period ended 30 September 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 9 November 2016 which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

AUDIT COMMITTEE

We established our audit committee on 22 July 2014 with written terms of reference that was amended and adopted with effect from 1 January 2016 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 audit committee will liaise with the Board, our senior management and auditors. Our audit committee will also consider any significant or unusual 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, risk management and internal control systems.

The third quarterly report of the Group for the nine months ended 30 September 2016 has been renewed by the Company's audit committee.

By order of the Board
Loco Hong Kong Holdings Limited
Zhu Hongguang
Chairman

Executive Directors:

Mr. Zhu Hongguang *(Chairman)*
Mr. Zha Jian Ping *(Chief Executive Officer)*
Mr. Felipe Tan

Independent non-executive Directors:

Mr. Chan Ka Ling Edmond
Dr. Wang Lin
Ms. Tsang Wai Chun Marianna

Hong Kong, 9 November 2016