



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 2017

**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 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.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		(Unaudited)			
		Six months ended 30 June		Three months ended 30 June	
		2017	2016	2017	2016
Note		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	Revenue				
	– Sales of metal	1,064,692	1,132,219	613,974	973,947
	– Interest income from customers and suppliers	2,778	2,085	1,616	988
	– Processing fee	14	134	–	51
	– Order commission	310	400	126	313
	– Sales of information technology products	52,827	–	22,039	–
		<u>1,120,621</u>	1,134,838	<u>637,755</u>	975,299
	Trading gains/(losses) on commodity forward contracts	4,382	(10,460)	6,224	(9,510)
	Other income	163	68	9	3
		<u>1,125,166</u>	1,124,446	<u>643,988</u>	965,792
	Total income				
	Cost of sales and carrying value of inventories sold	(1,110,311)	(1,112,384)	(636,681)	(957,125)
	Employee costs	(8,467)	(3,572)	(4,553)	(1,846)
	Depreciation	(909)	(505)	(458)	(214)
	Rental expenses	(2,655)	(778)	(1,388)	(361)
	Loss on disposal of investment held for trading	(2,017)	–	(943)	–
	Other operating expenses	(7,021)	(2,357)	(4,949)	(1,367)
		<u>(6,214)</u>	4,850	<u>(4,784)</u>	4,879
	(Loss)/profit from operations				
	Finance costs	(2,693)	(227)	(1,406)	(168)
		<u>(8,907)</u>	4,623	<u>(6,190)</u>	4,711
	(Loss)/profit before income tax expense				
	Income tax expense	(486)	(765)	(134)	(765)
		<u>(9,393)</u>	3,858	<u>(6,324)</u>	3,946
	(Loss)/profit for the period				
	Other comprehensive income				
	Item that may be reclassified subsequently to profit or loss:				
	Exchange differences on translating foreign operation	1,051	–	719	–
	Total comprehensive income for the period	<u>(8,342)</u>	<u>3,858</u>	<u>(5,592)</u>	<u>3,946</u>
		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
	Basic and diluted (loss)/earnings per share	<u>(2.35)</u>	<u>0.96</u>	<u>(1.58)</u>	<u>0.99</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited) 30 June 2017 <i>HK\$'000</i>	(Audited) 31 December 2016 <i>HK\$'000</i>
	<i>Note</i>		
Non-current assets			
Property, plant and equipment		3,161	3,962
Current assets			
Inventories		50,729	47,077
Trade receivables		32,910	–
Other receivables, deposits and prepayments	9	40,783	37,688
Derivative financial assets		529	1
Investment held for trading		–	10,520
Amount due from directors	11	280	–
Tax recoverable		–	679
Cash and cash equivalents		116,258	119,930
		241,489	215,895
Current liabilities			
Other payables, accruals and deposits received	10	31,096	25,770
Bank loans		9,713	–
Derivative financial liabilities		1,324	10,065
Amounts due to related companies	11	52,040	28,795
Amount due to a director	11	–	55
Loan from a related company		27,195	27,195
Tax payable		2,208	682
		123,576	92,562
Net current assets		117,913	123,333
Total assets less current liabilities		121,074	127,295
Non-current liabilities			
Liability component of convertible bonds		36,324	34,203
Derivative component of convertible bonds		1,877	1,877
		38,201	36,080
Net assets		82,873	91,215
Capital and reserves			
Share capital	12	85,830	85,830
Reserves		(2,957)	5,385
Total equity		82,873	91,215

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Loco Hong Kong Holdings Limited (the “Company”) is a limited liability company incorporated in Hong Kong. Its shares are listed on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of its registered office and principal place of business is Room 1702, 17/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong.

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

The unaudited interim financial information of the Group and the Company’s interim report for the six months ended 30 June 2017 have been reviewed by the Audit Committee of the Company and were approved for issue by the Directors.

2. BASIS OF PREPARATION

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 interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”)

The financial information relating to the year ended 31 December 2016 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 2016 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 2016. 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).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

3. IMPACT OF NEW AND REVISED HKFRSS ISSUED

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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 focusing on 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	
	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Interests on bank loans	61	69	61	37
Interest on convertible bonds	2,121	–	1,081	–
Interests on loan from a related company	472	99	237	99
	-----	-----	-----	-----
Total interest expenses	2,654	168	1,379	136
Bank charges	39	59	27	32
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	<u>2,693</u>	<u>227</u>	<u>1,406</u>	<u>168</u>

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	
	2017	2016	2017	2016
	<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	<u>486</u>	<u>765</u>	<u>134</u>	<u>765</u>

Hong Kong Profits Tax is calculated at 16.5% (2016: 16.5%) on the estimated assessable profits for the period.

PRC subsidiary is subject to People's Republic of China ("PRC") Enterprise Income Tax at 25% (2016: nil).

7. DIVIDENDS

The Board does not recommend the payment of any dividend of the Company for the six months ended 30 June 2017 (2016: nil).

8. (LOSS)/EARNINGS PER SHARE

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

	(Unaudited)			
	Six months ended 30 June		Three months ended 30 June	
	2017	2016	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/profit attributable to owners of the Company	<u>(9,393)</u>	<u>3,858</u>	<u>(6,324)</u>	<u>3,946</u>
Number of shares				
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	400,170,000	400,170,000	400,170,000	400,170,000
Effect of diluted potential ordinary shares:				
Share options	-----	-----	-----	-----
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	<u>400,170,000</u>	<u>400,170,000</u>	<u>400,170,000</u>	<u>400,170,000</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

8. (LOSS)/EARNINGS PER SHARE (continued)

For the three months ended and six months ended 30 June 2017, the computation of diluted loss per share does not assume the exercise of the Company's outstanding share options since their exercise would result in decrease in loss per share for the period. Accordingly, the basic and diluted loss per share are the same.

9. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	(Unaudited)	(Audited)
	30 June	31 December
	2017	2016
	HK\$'000	HK\$'000
Deposits for commodity forward contracts	33,204	31,624
Other receivables, deposits and prepayments	7,579	6,064
	<u>40,783</u>	<u>37,688</u>

10. OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	(Unaudited)	(Audited)
	30 June	31 December
	2017	2016
	HK\$'000	HK\$'000
Other payables and accruals	842	2,622
Deposits for commodity forward contracts	30,254	23,148
	<u>31,096</u>	<u>25,770</u>

11. AMOUNTS DUE FROM/TO RELATED COMPANIES AND DIRECTORS

The amounts due are unsecured, interest-free and repayable on demand. The amounts due to related companies represent deposits placed by the related companies to the Group for entering into forward arrangements.

12. SHARE CAPITAL

	Number of Shares	Share Capital HK\$'000
Issued and fully paid:		
At 31 December 2016	400,170,000	85,830
At 30 June 2017	<u>400,170,000</u>	<u>85,830</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group's income was mainly generated from the sale of silver products. During the period under review, the silver market price increase on average as compared with the same period from last year. For the six months ended 30 June 2017, the Group processed approximately 239 tonnes (2016: 153 tonnes) of silver scrap. The total processing volume represented an increase of 56.21% when compared with the same period last year. For the six months ended 30 June 2017, the Group recorded a revenue from sales of metal of approximately HK\$1,065 million (2016: HK\$1,132 million), representing an decrease of 6% as compared with last year, of which 97% (2016: 58%) was contributed by sale of silver products and the remaining were contributed by sale of gold and tin.

Outlook

The silver market price fluctuate between US\$15.95 per ounce and US\$18.56 per ounce during the period under review. We expect the silver price as well as silver supply will keep steady and support the Group on its way to recover into profit.

The Group will continue to carry on its sales of metal, which mainly from silver products in the coming future. As our trading business in PRC has been started during the period the Group expect the fluctuation of silver market price which materially affect the performance of the Group will become minimal.

The Group will keep looking for any opportunity for the development of new business, study cooperation opportunities with Chinese or international well-known companies, use of financial and capital instruments; extend new business areas; strive for sustainable development; and generate maximum returns for all the shareholders.

Financial Review

For the six months ended 30 June 2017, the Group had a total income of approximately HK\$1,125 million (2016: HK\$1,124 million), representing a slightly increase as compared with the same period of 2016. The Group recorded loss of approximately HK\$9.4 million (2016: profit of HK\$3.9 million) due to increase in employee costs, finance cost (interests on convertible bonds) and loss on disposal of investment held for trading.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Capital Structure, Liquidity and Financial Resources

As at 30 June 2017, the Group had cash and bank balances of approximately HK\$116 million (31 December 2016: HK\$120 million) and net current assets of approximately HK\$118 million (31 December 2016: HK\$123 million). As at 30 June 2016, the current ratio stood at 1.95 times (31 December 2016: 2.33 times).

The Group generally finances its operations primarily with internally generated cash, convertible bonds, bank loan and loan from a related company.

As at 30 June 2017, the Group had bank loan and loan from a related company amounting to HK\$9.7 million (31 December 2016: nil) and HK\$27 million (31 December 2016: HK\$27 million) respectively.

As at 30 June 2017, the amount of the Convertible Bonds stated in the consolidated financial position of the Company was approximately HK\$38 million (31 December 2016: HK\$36 million) which comprising of liability and derivative component amounting to approximately HK\$36 million (31 December 2016: HK\$34 million) and HK\$2 million (31 December 2016: HK\$2 million) respectively.

As at 30 June 2017, the Group had banking facilities in aggregate amount of HK\$10 million (31 December 2016: HK\$10 million). The Directors believed that the Group has adequate financial resources to fulfill its commitments and working capital requirements.

Gearing ratio

As at 30 June 2017, the gearing ratio of the Group, calculated as debt (being loan from a related company, liability component of convertible bonds and bank loan) divided by total equity was approximately 0.88 (31 December 2016: 0.67).

Charge on the Group's assets

As at 30 June 2017, 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 2017, nor other material acquisition and disposals of subsidiary during the period.

Capital commitment

As at 30 June 2017, the Group did not have any significant capital commitment.

Foreign Exchange Exposure

Our sales, purchase and borrowings are predominantly denominated in United States dollars (US\$), Renminbi (RMB) and Hong Kong dollars. The Directors considered that the Group had no significant exposure to foreign exchange fluctuations and believe it was not necessary to hedge against any exchange risk. Nevertheless, management will continue to monitor the foreign exchange exposure position and will take any future measures if appropriate.

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 our Group as at 30 June 2017 and there has not been any material change in the contingent liabilities of the Group since 30 June 2017.

Employees and remuneration policy

As at 30 June 2017, the Group employed a total of 24 staff. The total of employee remuneration, including remuneration of the Directors, for the six months ended 30 June 2017 amounted to approximately HK\$8.5 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.

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.

CORPORATE GOVERNANCE

Code on Corporate Governance Practices

During the six months ended 30 June 2017, 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
Zhu Hongguang
Chairman

Hong Kong, 14 August 2017

Executive Directors:

Mr. Zhu Hongguang (*Chairman*)

Mr. Zha Jianping (*Chief executive officer*)

Mr. Felipe Tan

Independent non-executive Directors:

Ms. Dai Meihong

Dr. Wang Lin

Ms. Tsang Wai Chun Marianna