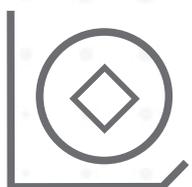




INTERIM  
REPORT

2017



**Loco Hong Kong Holdings Limited**

**港銀控股有限公司**

*(incorporated in Hong Kong with limited liability)*

**(Stock Code: 8162)**

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

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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

*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](http://www.hkgem.com) for at least seven days from the day of its posting and on the Company’s website at [www.locohongkong.com](http://www.locohongkong.com).*

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	(Unaudited) 30 June 2017 HK\$'000	(Audited) 31 December 2016 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		3,161	3,962
<b>Current assets</b>			
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
		<b>241,489</b>	215,895
<b>Current liabilities</b>			
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
		<b>123,576</b>	92,562
<b>Net current assets</b>		<b>117,913</b>	123,333
<b>Total assets less current liabilities</b>		<b>121,074</b>	127,295
<b>Non-current liabilities</b>			
Liability component of convertible bonds		36,324	34,203
Derivative component of convertible bonds		1,877	1,877
		<b>38,201</b>	36,080
<b>Net assets</b>		<b>82,873</b>	91,215
<b>Capital and reserves</b>			
Share capital	12	85,830	85,830
Reserves		(2,957)	5,385
<b>Total equity</b>		<b>82,873</b>	91,215

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$'000	Merger reserve HK\$'000	Share option reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
<b>At 1 January 2016 (Audited)</b>	85,830	(1,357)	459	–	3,533	88,465
Profit and total comprehensive income for the period	–	–	–	–	3,858	3,858
	–	–	–	–	3,858	3,858
Transactions with owners: Lapse of share options	–	–	(10)	–	10	–
<b>At 30 June 2016 (Unaudited)</b>	85,830	(1,357)	449	–	7,401	92,323
<b>At 1 January 2017 (Audited)</b>	<b>85,830</b>	<b>(1,357)</b>	<b>421</b>	<b>(120)</b>	<b>6,441</b>	<b>91,215</b>
Loss for the period	–	–	–	–	(9,393)	(9,393)
Other comprehensive income: Exchange differences on translating foreign operation	–	–	–	1,048	3	1,051
Total comprehensive income for the period	–	–	–	1,048	3	1,051
Transactions with owners: Lapse of share options	–	–	(41)	–	41	–
<b>At 30 June 2017 (Unaudited)</b>	<b>85,830</b>	<b>(1,357)</b>	<b>380</b>	<b>928</b>	<b>(2,908)</b>	<b>82,873</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	(Unaudited)	
	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
<b>Operating activities</b>		
Cash receipts from customers	1,084,623	1,132,352
Cash paid to suppliers	(1,113,963)	(1,131,215)
Other cash flow arising from operating activities	7,694	(26,963)
<b>Net cash used in operating activities</b>	<b>(21,646)</b>	<b>(25,826)</b>
<b>Investing activities</b>		
Payment for the purchase of property, plant and equipment	(108)	(50)
Proceeds from investment in securities	9,020	–
Other cash flows arising from investing activities	–	1
<b>Net cash generated from/(used in) investing activities</b>	<b>8,833</b>	<b>(49)</b>
<b>Financing activities</b>		
Proceeds from bank loans	9,713	–
Proceeds from loan from a related company	–	14,763
Payment of loan interest and bank charges	(572)	(227)
<b>Net cash generated from financing activities</b>	<b>9,141</b>	<b>14,536</b>
Net decrease in cash and cash equivalents	(3,672)	(11,339)
Cash and cash equivalents at beginning of period	119,930	35,958
<b>Cash and cash equivalents at end of period</b>	<b>116,258</b>	<b>24,619</b>
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and bank balances	116,258	24,619

# 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 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
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
	2,693	227	1,406	168

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

### 6. INCOME TAX EXPENSE

The amount of the income tax expense represents the following:

	<b>(Unaudited)</b>			
	<b>Six months ended 30 June</b>		<b>Three months ended 30 June</b>	
	<b>2017 HK\$'000</b>	2016 HK\$'000	<b>2017 HK\$'000</b>	2016 HK\$'000
Current tax – Hong Kong profits tax charge for the period	<b>486</b>	765	<b>134</b>	765

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).

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

### 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 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
(Loss)/profit attributable to owners of the Company	<b>(9,393)</b>	3,858	<b>(6,324)</b>	3,946
<b>Number of shares</b>				
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	<b>400,170,000</b>	400,170,000	<b>400,170,000</b>	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	<b>400,170,000</b>	400,170,000	<b>400,170,000</b>	400,170,000

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.

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

### 9. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

### 10. OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

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

### 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
<b>Issued and fully paid:</b>		
At 31 December 2016	400,170,000	85,830
At 30 June 2017	400,170,000	85,830

## 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:

Type of transaction	(Unaudited)			
	Six months ended 30 June		Three months ended 30 June	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Interest charged on loan granted to the Group (Note i)	472	99	237	99
Share of staff cost charged to the Group (Note ii)	329	333	164	126
Office rental and other related expenses charged to the Group (Note ii)	538	542	269	272
Interest and commission income charged by the Group for entering into forward arrangement (Note iii)	115	15	54	8
Data hosting service fee charged to the Group (Note iv)	–	13	–	–

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

### 13. RELATED PARTY TRANSACTIONS *(Continued)*

- (a) Saved as disclosed elsewhere in this report, the Group has the following significant related party transactions: *(Continued)*

Notes:

- i Interest was charged to the Group on the loan granted by a company in which Mr. Felipe Tan ("Mr. Tan"), one of the Company's directors, acts as director and has indirect controlling equity interest
  - ii The Group paid rent to a related company for occupation of office space and shared staff cost and office related expenses with other related companies. Mr. Tan acts as a director and has indirect controlling equity interest in those companies.
  - iii The sales and purchase of commodity and the generation of interest income and commission income from forward arrangements were conducted with companies in which Mr. Tan acts as a director and has direct controlling equity interest.
  - iv Fees for these services were charged by companies in which Mr. Tan acts as a director and has control and indirect controlling equity interest.
- (b) Members of key management comprise only of the Directors whose emoluments are set out below:

Type of transaction	(Unaudited)			
	Six months ended 30 June		Three months ended 30 June	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Short-term employee benefits	633	404	315	204
Contributions to pension scheme	-	9	-	5
	<b>633</b>	413	<b>315</b>	209

- (c) At 30 June 2017, Mr. Tan provided personal guarantee to a bank in respect of general facilities granted to the Group to the extent of HK\$10,000,000.

## 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 2017			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets at fair value through profit or loss held for trading:				
– Commodity forward contracts	–	529	–	529
Financial liabilities at fair value through profit or loss held for trading:				
– Commodity forward contracts	–	1,324	–	1,324
– Derivative component of convertible bonds	–	–	1,877	1,877
	31 December 2016			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets at fair value through profit or loss held for trading:				
– Commodity forward contracts	–	1	–	1
– Listed equity securities	10,520	–	–	10,520
Financial liabilities at fair value through profit or loss held for trading:				
– Commodity forward contracts	–	10,065	–	10,065
– Derivative component of convertible bonds	–	–	1,877	1,877

During the six months ended 30 June 2017, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2016: nil).

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

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

Below is a summary of significant unobservable inputs to the valuation of financial instruments:

	Valuation technique	Significant unobservable input	Ratio	Sensitivity of fair value to the input
Derivative component of convertible bonds	Crank-Nicolson Finite-difference method	Option adjusted spread	5.67%	5% increase in option adjusted spread would result in increase in fair value by HK\$143,000  5% decrease in option adjusted spread would result in decrease in fair value by HK\$144,000

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 assets 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).

### 15. EVENTS AFTER THE REPORTING DATE

On 12 July 2017 and 25 July 2017, the Company received conversion notices from convertible bonds holder in respect of exercise of the conversion rights attached to the convertible bonds in an aggregate principal amount HK\$27,600,000. Details are disclosed in the Company's announcement dated on 12 July 2017 and 25 July 2017.

## 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.

### **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.

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)*

### **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.

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

As at 30 June 2017, 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/ Chief Executive	Nature of Interests	Number of shares	% of shareholding
Felipe Tan ("Mr. Tan")	Interest of a controlled corporation & beneficial owner	40,510,000 (Note)	10.12%

Note: Mr. Tan directly and indirectly owned 69.08% 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 substantial 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. Mr. Tan 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 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	10,250	100.00%
Felipe Tan	GobiMin Inc.	Interest of a controlled corporation & beneficial owner	34,689,000	69.08%
Felipe Tan	GobiMin Investments Limited	Interest of a controlled corporation	1,000	69.08%
Felipe Tan	GobiMin Silver Limited	Interest of a controlled corporation	1,000	69.08%

## 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 30.6.2017
				Outstanding as at 1.1.2017	Granted	Exercised	Cancelled	Lapsed	
Felipe Tan	10.4.2015	0.78	10.4.2015 – 9.4.2025	250,000	-	-	-	-	250,000
Chan Ka Ling Edmond	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
				410,000	-	-	-	(80,000)	330,000

### Short Positions

As at 30 June 2017, 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 30 June 2017, 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:

<b>Name</b>	<b>Nature of Interests</b>	<b>Number of ordinary shares</b>	<b>% of Shareholding</b>
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%
Wan Yiming	Beneficial owner	22,220,000	5.55%

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 30 June 2017.

## SHARE OPTIONS

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

Type of Participant	Grant Date	Exercise price per share HK\$	Vesting and Exercise period	Number of share options and underlying shares					Outstanding as at 30.6.2016
				Outstanding as at 1.1.2016	Granted	Exercised	Cancelled	Lapsed	
Directors	10.4.2015	0.78	10.4.2015 – 9.4.2025	410,000	-	-	-	(80,000)	330,000
Employees	10.4.2015	0.78	10.4.2015 – 9.4.2025	780,000	-	-	-	(50,000)	730,000
Others	10.4.2015	0.78	10.4.2015 – 9.4.2025	130,000	-	-	-	-	130,000
				1,320,000	-	-	-	-	1,190,000

The fair value of equity-settled share options granted was HK\$0.319 per option, amounted to approximately HK\$520,000 in aggregate. It was estimated as at 10 April 2015, being the date of grant, using the Black-Scholes Option Pricing Model and taking into account the terms and conditions upon which the options were granted. The significant assumptions and inputs used in the estimation of the fair value are as follows:

Share price at date of grant	HK\$0.78
Annualised volatility	45.90%
Risk-free interest rate	1.09%
Dividend yield	0%
Expected life of option	5 years
Exercise price	HK\$0.78

The expected life of the options may not be necessarily indicative of the exercise pattern that may occur. The expected volatility reflects the assumption that the historical volatility of comparable companies are indicative of future trends, which may also not necessarily be the actual outcome.

## 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, and 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 June 2017.

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. and its subsidiaries (“GobiMin Group”) is involved in upstream activities of exploration and mining which involve entirely different technologies, machinery and expertise. Accordingly, the Group and 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.

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 2017.

## **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.

### **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 specify 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 2017.

## **CORPORATE GOVERNANCE** *(Continued)*

### **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.

Our Audit committee comprises three independent non-executive Directors, namely Ms. Dai Meihong, Dr. Wang Lin and Ms. Tsang Wai Chun Marianna. Ms. Dai Meihong is the chairlady of the Audit Committee.

### **Remuneration Committee**

We established our Remuneration Committee on 22 July 2014 with written terms of reference in compliance with B.1 of the Code Provisions. Amongst other things, the primary duties of the Remuneration Committee are to make recommendations to the Board on 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 three independent non-executive Directors, namely Ms. Dai Meihong, Dr. Wang Lin and Ms. Tsang Wai Chun Marianna and one executive Director, Mr. Zha Jianping. Dr. Wang Lin is the chairlady of our Remuneration Committee.

### **Nomination Committee**

We established our Nomination Committee on 22 July 2014 with written terms of reference in compliance with A.5 of the Code Provisions. The Nomination Committee is mainly responsible for making recommendations to the Board on appointment and succession planning of our Directors. During the year under review, the diversity of the board members was achieved by considering the educational background and professional experience of each Director. The Company recognises and embraces the benefits of diversity of the Board members. It endeavors to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business.

Our Nomination Committee comprises three independent non-executive Directors, namely Ms. Dai Meihong, Dr. Wang Lin and Ms. Tsang Wai Chun Marianna and one executive Director, Mr. Zhu Hongguang. Mr. Zhu Hongguang is the chairman of the Nomination Committee.

## **CORPORATE GOVERNANCE** *(Continued)*

### **Executive Committee**

We established our Executive Committee on 19 December 2016 with written terms of reference. The Executive Committee is mainly responsible for monitoring the formulation, revision and implementation of the Company's strategic plan and monitor the operation of its subsidiaries.

Our Executive Committee comprises two executive Directors, namely Mr. Zhu Hongguang, Mr. Zha Jianping and two key personnel of the Company, Ms. Wei Zhemin and Mr. Fok Chi Wing. Mr. Zha Jianping is the chairman of the Executive Committee.

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

#### *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

Hong Kong, 14 August 2017