



THIRD  
QUARTERLY  
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.**

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*This report, for which the directors (the “Directors” or individually a “Director”) of Loco Hong Kong Holdings Limited 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.locohkholdings.com](http://www.locohkholdings.com).*

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		(Unaudited)			
		Nine months ended 30 September		Three months ended 30 September	
Note	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	
Revenue					
– Sales of metal	<b>1,765,053</b>	1,733,277	<b>700,361</b>	601,058	
– Interest income from customers and suppliers	<b>4,419</b>	3,098	<b>1,641</b>	1,013	
– Order commission	<b>431</b>	781	<b>121</b>	381	
– Processing fee income	<b>14</b>	293	–	159	
– Sales of information technology products	<b>64,395</b>	–	<b>11,568</b>	–	
– Interest income from money lending business	<b>91</b>	–	<b>91</b>	–	
	<b>1,834,403</b>	1,737,449	<b>713,782</b>	602,611	
Trading gains/(losses) on commodity forward contracts	<b>4,032</b>	(16,882)	<b>(350)</b>	(6,422)	
Other income	<b>294</b>	618	<b>131</b>	559	
Total income	<b>1,838,729</b>	1,721,185	<b>713,563</b>	596,748	
Cost of sales and carrying value of inventories sold	<b>(1,815,395)</b>	(1,700,937)	<b>(705,084)</b>	(588,553)	
Employee costs	<b>(12,692)</b>	(6,316)	<b>(4,225)</b>	(2,744)	
Depreciation	<b>(1,377)</b>	(677)	<b>(468)</b>	(172)	
Rental expenses	<b>(4,099)</b>	(1,174)	<b>(1,444)</b>	(396)	
Loss on disposal of investment held for trading	<b>(2,017)</b>	–	–	–	
Fair value gain on derivative component of convertible bonds	<b>970</b>	–	<b>970</b>	–	
Other operating expenses	<b>(10,437)</b>	(3,620)	<b>(3,416)</b>	(1,272)	
(Loss)/profit from operations	<b>(6,318)</b>	8,461	<b>(104)</b>	3,611	
Finance costs	<b>(3,365)</b>	(1,225)	<b>(672)</b>	(998)	
Share of loss of a joint venture	<b>(1)</b>	–	<b>(1)</b>	–	
(Loss)/profit before income tax expense	<b>(9,684)</b>	7,236	<b>(777)</b>	2,613	
Income tax expense	<b>(892)</b>	(1,285)	<b>(406)</b>	(520)	
(Loss)/profit for the period	<b>(10,576)</b>	5,951	<b>(1,183)</b>	2,093	

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

		(Unaudited)			
		Nine months ended 30 September		Three months ended 30 September	
Note	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	
<b>Other comprehensive income</b>					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operation	2,179	–	1,128	–	
<b>Total comprehensive income for the period</b>	<b>(8,397)</b>	5,951	<b>(55)</b>	2,093	
<b>(Loss)/profit for the period attributable to:</b>					
Owners of the Company	(10,571)	5,951	(1,178)	2,093	
Non-controlling interests	(5)	–	(5)	–	
	<b>(10,576)</b>	5,951	<b>(1,183)</b>	2,093	
<b>Total comprehensive income for the period attributable to:</b>					
Owners of the Company	(8,392)	5,951	(50)	2,093	
Non-controlling interests	(5)	–	(5)	–	
	<b>(8,397)</b>	5,951	<b>(55)</b>	2,093	
		<b>HK cents</b>	HK cents	<b>HK cents</b>	HK cents
Basic and diluted (loss)/earnings per share	7	<b>(2.52)</b>	1.49	<b>(0.26)</b>	0.52

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$'000	Share option reserve HK\$'000	Merger reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total equity attributable to owners of the Company HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
<b>At 1 January 2016 (Audited)</b>	85,830	459	(1,357)	-	3,533	88,465	-	88,465
Profit and total comprehensive income for the period	-	-	-	-	5,951	5,951	-	5,951
Transactions with owners:								
Lapse of share options	-	(38)	-	-	38	-	-	-
<b>At 30 September 2016 (Unaudited)</b>	85,830	421	(1,357)	-	9,522	94,416	-	94,416
<b>At 1 January 2017 (Audited)</b>	85,830	421	(1,357)	(120)	6,441	91,215	-	91,215
Loss for the period	-	-	-	-	(10,571)	(10,571)	(5)	(10,576)
Other comprehensive income:								
Exchange differences on translating foreign operation	-	-	-	2,179	-	2,179	-	2,179
<b>Total comprehensive income for the period</b>	-	-	-	2,179	(10,571)	(8,392)	(5)	(8,397)
Transactions with owners:								
Lapse of share options	-	(41)	-	-	41	-	-	-
Exercise of conversion rights attached to the convertible bonds	37,509	-	-	-	-	37,509	-	37,509
<b>At 30 September 2017 (Unaudited)</b>	123,339	380	(1,357)	2,059	(4,089)	120,332	(5)	120,327

# 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 the trading of metals, information technology products and commodity forward contracts as well as money lending business in Hong Kong.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Group’s unaudited consolidated results for the nine months ended 30 September 2017 have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and accounting principles generally accepted in Hong Kong. The accounting policies adopted in preparing these third quarterly results are consistent with those used in the Company’s annual audited consolidated financial statements for the year ended 31 December 2016. The third quarterly results are unaudited but have been reviewed by the Company’s audit committee.

The condensed consolidated financial statements have been prepared in accordance with HKFRSs, including applicable HKASs and Interpretations, issued by HKICPA. In addition, the Group’s unaudited quarterly financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”).

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Historical cost is generally based on the value of the consideration given in exchange for goods.

The principal accounting policies applied in the preparation of the unaudited condensed consolidated financial statement for the nine months ended 30 September 2017 are consistent with those applied in the preparation of the Group’s consolidated financial statements for the year ended 31 December 2016.

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

### 3. OPERATING SEGMENTS INFORMATION

The information reported to the executive directors (the “Directors”) of the Company, 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 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.

### 4. FINANCE COSTS

	(Unaudited)			
	Nine months ended 30 September		Three months ended 30 September	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Interests on bank loans	145	107	84	38
Interests on loan from a related company	712	302	240	203
Interests on convertible bonds	2,399	710	278	710
<hr style="border-top: 1px dashed black;"/>				
Total interest expenses	3,256	1,119	602	951
Bank charges	109	106	70	47
	<b>3,365</b>	1,225	<b>672</b>	998

### 5. INCOME TAX EXPENSE

The amount of the income tax expense represents the following:

	(Unaudited)			
	Nine months ended 30 September		Three months ended 30 September	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Current tax – Hong Kong Profits Tax charge for the period	892	1,285	406	520

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

People’s Republic of China (“PRC”) subsidiaries are subject to PRC Enterprise Income Tax at 25% (2016: nil).

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

### 6. DIVIDENDS

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

### 7. (LOSS)/EARNINGS PER SHARE

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

	(Unaudited)			
	Nine months ended 30 September		Three months ended 30 September	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Loss)/profit attributable to owners of the Company	<b>(10,576)</b>	5,951	<b>(1,183)</b>	2,093
<b>Number of shares</b>				
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>420,096,740</b>	400,170,000	<b>459,300,435</b>	400,170,000

For the three months ended and nine months ended 30 September 2017, 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 ended and the nine months ended 30 September 2017. 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 the nine months ended 30 September 2017, the silver market price fluctuates between US\$15.22 per ounce and US\$18.56 per ounce.

For the nine months ended 30 September 2017, the Group processed approximately 402 tonnes (2016: 247 tonnes) of silver scrap. The total processing volume represented an increase of 63% when compared with the same period last year. For the nine months ended 30 September 2017, the Group recorded a revenue from metal sales of approximately HK\$1,765 million (2016: approximately HK\$1,733 million), representing an increase of 1.85% as compared with the corresponding period of last year, of which 98% (2016: 72%) was contributed by sale of silver products and the remaining were contributed by sale of gold and tin.

Shenzhen New Era Health Science And Technology Holdings Limited (深圳時代健康科技控股有限公司), a newly established subsidiary of the Company in PRC has started operation of trading business and contributed approximately HK\$64 million revenue to the Group during the nine months ended 30 September 2017.

United Worth Finance Limited, a wholly-owned subsidiary of the Company has obtained a money lenders license (under Money Lenders Ordinance, Chapter 163 of the Laws of Hong Kong) on 28 March 2017 and has started money lending business and contributed HK\$91,000 revenue to the Group during the nine months ended 30 September 2017.

### Outlook

With a slight fluctuation in silver market price, 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 and the money lending business 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.

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

### **Financial Review**

For the nine months ended 30 September 2017, the Group had a total income of approximately HK\$1,839 million (2016: HK\$1,721 million), representing a slightly increase as compared with the same period of 2016. The Group recorded loss of approximately HK\$10.6 million (2016: profit of HK\$6.0 million) as compared with the last corresponding period. The increase in loss was mainly due to increase in employee costs, finance cost (interests on convertible bonds) and loss on investment held for trading.

### **Dividend**

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

### **Significant investments, acquisitions and disposals**

There were no significant investment held at 30 September 2017, nor other material acquisitions and disposals of subsidiaries 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 at 30 September 2017.

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

At 30 September 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	Nature of Interests	Number of shares	% of shareholding
Felipe Tan ("Mr. Tan")	Interest of a controlled corporation & beneficial owner	40,510,000 (Note)	8.44%

*Note:* Mr. Tan directly and indirectly owned 69.37% 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 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 Director	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	10,205	100.00%
Felipe Tan	GobiMin Inc.	Interest of a controlled corporation & beneficial owner	34,689,000	69.37%
Felipe Tan	GobiMin Investments Limited	Interest of a controlled corporation	1,000	69.37%
Felipe Tan	GobiMin Silver Limited	Interest of a controlled corporation	1,000	69.37%

## 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 30.9.2017
				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

At 30 September 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

At 30 September 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:

Name	Nature of Interests	Number of ordinary shares	% of shareholding
Hon Pok	Beneficial owner	76,000,000	15.83%
Belmont Holdings Group Limited	Interest of a controlled corporation	40,260,000	8.38%
GobiMin Inc.	Interest of a controlled corporation	40,260,000	8.38%
GobiMin Investments Limited	Interest of a controlled corporation	40,260,000	8.38%
GobiMin Silver Limited	Beneficial owner	40,260,000	8.38%
Good Omen Investments Limited	Interest of a controlled corporation	40,260,000	8.38%

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 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 30.9.2017
				Outstanding as at 1.1.2017	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	-	-	-	(130,000)	1,190,000

## SHARE OPTIONS *(Continued)*

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 September 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 nine months ended 30 September 2017.

## 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 C.3 of the Code Provisions. The duties of the Audit Committee include reviewing, in draft form, our annual report and accounts, half-year report and quarterly report and providing advice and comments to the Board. In this regard, members of the Audit Committee will liaise with the Board, our senior management, our reporting accountants and auditors. Our Audit Committee will also consider any significant or usual items that are, or may need to be, reflected in such reports and accounts and give consideration to any matters that have been raised by our accounting staff, compliance officers or auditor. Members of our Audit Committee are also responsible for reviewing our Company's financial reporting system, risk management and internal control systems.

The third quarterly report of the Group for the nine months ended 30 September 2017 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 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 November 2017