

Loco Hong Kong Holdings Limited

港銀控股有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 8162)



First
Quarterly
Report
◦
2018



CHARACTERISTICS OF THE 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 31 March	
	Note	2018 HK\$'000	2017 HK\$'000
Revenue			
– Sales of metal		424,007	450,718
– Sales of electronic products		13,011	30,788
– Sales of automotive parts		9,462	–
– Interest income from customers and suppliers		1,847	1,162
– Order commission		3	14
– Processing fee		–	184
		448,330	482,866
Trading gains/(losses) on commodity forward contracts		1,615	(1,842)
Other income		87	154
		450,032	481,178
Carrying value of inventories sold		(444,138)	(473,630)
Employee costs		(4,241)	(4,114)
Depreciation		(499)	(451)
Rental expenses		(1,408)	(1,267)
Fair value loss on investments held for trading		–	(1,074)
Other operating expenses		(1,746)	(2,072)
Share of loss of associates		(2)	–
Finance costs	3	(277)	(1,287)
		(2,279)	(2,717)
Loss before income tax expense		(2,279)	(2,717)
Income tax expense	4	(221)	(352)
		(2,500)	(3,069)
Loss for the period attributable to:			
– Owners of the Company		(2,324)	(3,069)
– Non-controlling interests		(176)	–
		(2,500)	(3,069)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

		(Unaudited) Three months ended 31 March	
	Note	2018 HK\$'000	2017 HK\$'000
Loss for the period		(2,500)	(3,069)
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		1,494	319
Total comprehensive income for the period		(1,006)	(2,750)
Total comprehensive income for the period attributable to:			
– Owners of the Company		(912)	(2,750)
– Non-controlling interests		(94)	–
		(1,006)	(2,750)
		HK cents	HK cents
Basic and diluted loss per share	6	(0.52)	(0.77)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$'000	Merger reserve HK\$'000	Share option reserve HK\$'000	Exchange reserve HK\$'000	(Accumulated Losses)/ Retained profits HK\$'000	Equity attributable to owners of the Company HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2017 (Audited)	85,830	(1,357)	421	(120)	6,441	91,215	-	91,215
Loss for the period	-	-	-	-	(3,069)	(3,069)	-	(3,069)
Other comprehensive income:								
Exchange differences on translating foreign operation	-	-	-	319	-	319	-	319
Total comprehensive income for the period	-	-	-	319	(3,069)	(2,750)	-	(2,750)
At 31 March 2017 (Unaudited)	85,830	(1,357)	421	199	3,372	88,465	-	88,465
At 1 January 2018 (Audited)	122,898	(1,357)	380	2,335	(11,441)	112,815	(145)	112,670
Loss for the period	-	-	-	-	(2,324)	(2,324)	(176)	(2,500)
Other comprehensive income:								
Exchange differences on translating foreign operations	-	-	-	1,412	-	1,412	82	1,494
Total comprehensive income for the period	-	-	-	1,412	(2,324)	(912)	(94)	(1,006)
At 31 March 2018 (Unaudited)	122,898	(1,357)	380	3,747	(13,765)	111,903	(239)	111,664

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 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 (collectively the “Group”) are principally engaged in trading of metal and commodity forward contracts, trading of electronic products, trading of automotive parts and provision of money lending services, which are conducted in Hong Kong and People’s Republic of China (“PRC”).

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Group’s unaudited consolidated results for the three months ended 31 March 2018 have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, and accounting principles generally accepted in Hong Kong. The accounting policies adopted in preparing these first quarterly results are consistent with those used in the Company’s annual audited consolidated financial statements for the year ended 31 December 2017. The first 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 Hong Kong Financial Reporting Standards (“HKFRSs”), including applicable Hong Kong Accounting Standards (“HKASs”) and Interpretations, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the Group’s unaudited quarterly financial statements include applicable disclosures required by 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 three months ended 31 March 2018 are consistent with those applied in the preparation of the Group’s consolidated financial statements for the year ended 31 December 2017.

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

3. FINANCE COSTS

	(Unaudited) Three months ended 31 March	
	2018	2017
	HK\$'000	HK\$'000
Interests on bank loans	13	–
Interests on convertible bonds	–	1,040
Interest on loan from a related company	235	235
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Total interest expenses	248	1,275
Bank charges	29	12
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	277	1,287

4. INCOME TAX EXPENSE

The amount of the income tax expense represents the following:

	(Unaudited) Three months ended 31 March	
	2018	2017
	HK\$'000	HK\$'000
Current tax – charge for the period	221	352

Hong Kong Profits Tax is calculated at 16.5% (2017: 16.5%) on the estimated assessable profits for the period.

For the three months ended 31 March 2018, Enterprise Income Tax (“EIT”) exposed by the Company’s subsidiaries in the PRC is calculated at 25% on the estimated assessable profits for the period. For the three months ended 31 March 2017, no provision for PRC EIT as the Company’s subsidiary has no estimated assessable profit.

5. DIVIDENDS

The Board does not recommend the payment of any dividend of the Company for the three months ended 31 March 2018 (2017: nil).

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

6. LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	(Unaudited) Three months ended 31 March	
	2018 HK\$'000	2017 HK\$'000
Loss for the purpose of basic loss per share	2,500	3,069
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	480,170,000	400,170,000

For the three months ended 31 March 2018, the computation of diluted loss per share does not assume the exercise of the Company's outstanding share options since their exercise price is higher than the average market price of the Company for the period. Accordingly, the basic and diluted loss per share are the same.

For the three months ended 31 March 2017, the computation of diluted earnings per share did not assume the exercise of the Company's outstanding share options since their exercise price was higher than the average market price of the Company for the period. In addition, it did not assume the conversion of the Company's convertible bonds as they had anti-dilutive effect on the loss per share calculation. Accordingly, the basic and diluted earnings per share were the same.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group's principal activities mainly divided into four categories include sales of metal, trading of electronic products, trading of automotive parts and provision of money lending services.

Sales of metal business

The Group processed approximately 90 tonnes (2017: 93 tonnes) of silver scrap for the three months ended 31 March 2018 of which represent decrease of 3% as compared with the same period of 2017. Revenue from sales of metal represent 100% (2017: 93%) from sale of silver products and the remaining were sale of tin in the same period of 2017.

Trading of electronic products

One of the Group's subsidiaries established in PRC has started operation of trading of electronic products in PRC since 2017. As our performance are highly dependent on source of electronic products from our suppliers, the business performance may fluctuate and may not as better as the same period of 2017. For the three months ended 31 March 2018, revenue of approximately HK\$13,011,000 (2017: HK\$30,788,000) has been generated and contributed to the Group.

Trading of automotive parts

During the period, the Group has completed the acquisition of 50% equity interest in 上海孚瑞恒眾汽車科技有限公司 (Shanghai Friction Automotive Technology Co., Ltd*) ("Shanghai Friction") which is principally engaged in trading of automotive parts in PRC. Shanghai Friction which was accounted for a subsidiary of the Group, will mainly procure products from China Yantai Friction Co., Ltd. ("CYFC"), a shareholder of 20% indirect equity interest in Shanghai Friction, and sale to customers including automobile manufacturing entity in PRC.

On 13 February 2018, Shanghai Friction entered a separate sales agreement and purchase agreement with CYFC in relation to the trading of automotive parts for the year 2018. In a separate sales agreement and purchase agreement, Shanghai Friction will sale of products A to CYFC and purchase of product B from CYFC of not more than RMB50,000,000 and RMB110,000,000 respectively for the year 2018.

Provision of money lending services

One of the Group's subsidiaries has obtained a money lenders license (under Money Lenders Ordinance, Chapter 163 of the Law of Hong Kong) since the year 2017 and is lawfully engaged in provision of money lending services in Hong Kong. For the three months ended 31 March 2018, the size of the business still small as the Group stand in prudent approach on money lending business to earn interest from our borrowers. As at 31 March 2018, the amount of loan receivable from a customer is secured by a property in Hong Kong.

* English name for identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Outlook

For the coming year, the Group will continue to carry on sales of metal, trading of electronic products, trading of automotive parts and provision of money lending service in Hong Kong and PRC.

During the period, we have successfully explore one more new sector of business of trading of automotive parts and started contribute revenue to the Group for an amount in approximate RMB7,572,000 for the three months ended 31 March 2018. We believe that the trading of automotive parts will be one of our most important business sector in the future after our consolidation in relationship with CYFC and the prospect of automobile industry in PRC.

On 28 February 2018, one of the Group's subsidiaries entered into a cooperation agreement with Party C regarding the construction of a solar power facility (the "Facility") in the PRC and the generation of income by supplying electricity which is to be generated from the Facility. The estimated total investment cost for the Facilities is RMB14,000,000 (equivalent to approximately HK\$16,785,000). The Group will further enter into a construction contract with Party C to set out the terms of details, including the exact investment cost, of the construction Facility after including but not limited to Party C obtaining relevant approval or license from relevant government authority for the construction of the Facility. As at the date of this report, no further construction contract has been entered into.

In order to minimize the impact of silver industry, we still 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 three months ended 31 March 2018, the Group had a total income of approximately HK\$450 million (2017: HK\$481 million), representing a decrease of 6.5% as compared with the same period of 2017. The Group recorded loss of approximately HK\$2,500,000 (2017: HK\$3,069,000) for the three months ended 31 March 2018. The decrease in loss was mainly due to nil interest on convertible bonds which were fully converted during the year 2017.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Significant investments, acquisitions and disposals

Save as disclosed under the section “Management Discussion and Analysis – Business Review” in relation to acquisition of Shanghai Friction, there were no significant investment held as at 31 March 2018, nor other material acquisition and disposals of subsidiary during the period.

Contingent liabilities

The Group did not have any material contingent liabilities, guarantees or any litigation or claims of material importance pending or threatened against any member of the Group as at 31 March 2018.

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

As at 31 March 2018, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions

(a) *Ordinary shares of the Company*

Name of Directors/ Chief Executives	Nature of Interests	Number of shares	% of shareholding
Felipe Tan (“Mr. Tan”)	Interest of a controlled corporation & beneficial owner	40,510,000 <i>(Note)</i>	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 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.

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

(Continued)

Long positions (Continued)

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

Name of Directors	Name of Associated Corporation	Nature of Interests	Number of shares	% of shareholding
Felipe Tan	Good Omen Investments Limited	Beneficial owner	100	100.00%
Felipe Tan	Belmont Holdings Group Limited	Interest of a controlled corporation & beneficial owner	10,205	100%
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 Directors	Grant Date	Exercise price per share HK\$	Exercise period	Number of share options and underlying shares				Outstanding as at 31.3.2018	
				Outstanding as at 1.1.2018	Granted	Exercised	Cancelled		Lapsed
Felipe Tan	10.4.2015	0.78	10.4.2015 – 9.4.2025	250,000	-	-	-	-	250,000
Tsang Wai Chun Marianna	10.4.2015	0.78	10.4.2015 – 9.4.2025	80,000	-	-	-	-	80,000
				330,000	-	-	-	-	330,000

Short Positions

As at 31 March 2018, no short positions of Directors or chief executives in the shares of the Company and its associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2018, 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:

Long Positions

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 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 as at 31 March 2018.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the three months ended 31 March 2018, 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 principally engaged in the investment in equity, debt or other securities as well as direct ownership stakes in projects, including the development of mineral properties 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 31 March 2018.

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. One of the business of the Group is 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 mainly involved in the 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 three months ended 31 March 2018.

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

Executive Directors:

Mr. Zhu Hongguang (*Chairman*)
Mr. Wang Wendong (*Deputy Chairman*)
Mr. Lam Chi Chung, Tommy (*Deputy Chairman*)
Mr. Tsang Zee Ho, Paul (*Chief Executive Officer*)
Mr. Felipe Tan

Non-executive Director:

Mr. Zha Jianping

Independent non-executive Directors:

Ms. Dai Meihong
Dr. Wang Lin
Ms. Tsang Wai Chun Marianna

Hong Kong, 11 May 2018