



LOCO HONG KONG HOLDINGS LIMITED

港銀控股有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 8162)

2014

Third Quarterly Report
For The Nine Months Ended 30 September 2014

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 for at least seven days from the day of its posting and on the Company’s website at www.locohongkong.com.

The Board of Directors of the Company (the “Board”) is pleased to announce the unaudited consolidated results and financial position of the Company and its subsidiaries (collectively, the “Group”) for the three months and nine months ended 30 September 2014 with comparative figures for the previous period as follows. The condensed consolidated financial statements of the Group have not been audited but have been reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Three months ended 30 September		Nine months ended 30 September	
		2014 (unaudited) HK\$'000	2013 (unaudited) HK\$'000	2014 (unaudited) HK\$'000	2013 (unaudited) HK\$'000
Turnover					
— Sales of metal		643,178	379,075	1,942,284	1,023,025
— Interest income from customers and suppliers		497	482	1,240	1,744
— Order commission		5	11	25	49
		643,680	379,568	1,943,549	1,024,818
Trading gains/(losses) on commodity forward contracts		9,268	(6,144)	17,930	12,104
Other income		33	30	79	42
Total income		652,981	373,454	1,961,558	1,036,964
Inventories consumed		(645,949)	(368,202)	(1,941,147)	(1,024,294)
Staff costs		(1,510)	(695)	(2,954)	(1,890)
Depreciation		(221)	(173)	(657)	(345)
Listing expenses		(1,367)	—	(8,185)	—
Other operating expenses		(1,907)	(1,669)	(4,401)	(2,689)
Other gains/(losses)		27	(96)	(131)	190
Profit from operations		2,054	2,619	4,083	7,936
Finance costs	5	(293)	(485)	(1,545)	(1,208)
Profit before income tax expense		1,761	2,134	2,538	6,728
Income tax expense	6	(618)	(194)	(1,930)	(972)
Profit and total comprehensive income for the period attributable to owners of the Company		1,143	1,940	608	5,756
		HK cents	HK cents	HK cents	HK cents
Basic and diluted earnings per share	8	0.29	0.48	0.15	1.44

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<i>Note</i>	Share capital (unaudited) HK\$'000	Retained earnings (unaudited) HK\$'000	Total (unaudited) HK\$'000
At 1 January 2013		10,000	5,675	15,675
Transactions with owners:				
Capitalisation for issue of shares		5,000	(5,000)	—
Profit and total comprehensive income for the period		—	5,756	5,756
At 30 September 2013		15,000	6,431	21,431
At 1 January 2014		15,000	8,383	23,383
Transactions with owners:				
Capitalisation for issue of shares		5,000	(5,000)	—
Dividend declared during the period	7	—	(1,500)	(1,500)
Issue of ordinary shares upon listing		64,285	—	64,285
		69,285	(6,500)	62,785
Profit and total comprehensive income for the period		—	608	608
At 30 September 2014		84,285	2,491	86,776

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

The Company was incorporated in Hong Kong on 14 January 2014. The addresses of its registered office and principal place of business are Room 2003, 118 Connaught Road West, Hong Kong.

The Group is principally engaged in the trading of metals and commodity forward contracts in Hong Kong as well as property holding.

Pursuant to the reorganisation of the Company (the “Reorganisation”) in connection with the listing of the shares of the Company on the GEM, the Company has become the holding company of its subsidiaries now comprising the Group since 23 July 2014. The shares of the Company were listed on the GEM on 5 August 2014 (the “Listing”). Details of the Reorganisation are set out in the section headed “History, Reorganisation and Corporate Structure” to the listing document of the Company dated 29 July 2014 (the “Prospectus”).

The Group is regarded as a continuing entity resulting from the Reorganisation as there is no change in the economic substance of the Group. Accordingly, these unaudited condensed consolidated financial statements have been prepared using the merger accounting as if the Reorganisation had been completed at the beginning of the reporting period and the current group structure had always been in existence.

The condensed consolidated statements of comprehensive income and condensed consolidated statements of changes in equity of the Group for the nine months ended 30 September 2013 and 2014, and the condensed consolidated statements of comprehensive income for the three months ended 30 September 2013 and 2014, include the results of all companies now comprising the Group as if the current structure had been in existence throughout the respective periods.

No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

2. BASIS OF PREPARATION

Except for the adoption of the new and revised HKFRSs which are relevant to the Group’s operations and are mandatory for the financial year beginning on 1 January 2014, the accounting policies adopted in the preparation of these condensed consolidated financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include HKASs and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). In addition, the unaudited consolidated financial statements include applicable disclosures required by the GEM Listing Rules. The unaudited condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2013.

These condensed consolidated financial statements have been prepared under historical cost convention, except for certain financial instruments and inventory, which are measured at fair value. These condensed consolidated financial statements are presented in Hong Kong dollars.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

2. BASIS OF PREPARATION (Continued)

These condensed consolidated financial statements have not been audited by the Company's auditors but have been reviewed by the Company's audit committee and have been approved for issue by the Board of the Company on 11 November 2014.

3. NEW AND REVISED HKFRSS ISSUED

The HKICPA has issued a number of new and revised HKFRSs and interpretations that are first effective for the current accounting period of the Company. The adoption of these new and revised HKFRSs has had no significant financial impact on the Group's results and financial position.

The Group has not early adopted the new and revised HKFRSs that have been issued but are 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 is metal trading, and no further operating segment analysis thereof is presented.

5. FINANCE COSTS

	Three months ended 30 September		Nine months ended 30 September	
	2014 (unaudited) HK\$'000	2013 (unaudited) HK\$'000	2014 (unaudited) HK\$'000	2013 (unaudited) HK\$'000
Interests on bank loans repayable within 5 years	89	57	398	194
Interests on amount due to a related company repayable within 5 years	130	357	998	887
Total interest expenses	219	414	1,396	1,081
Bank charges	74	69	148	120
Interests on a finance lease	—	2	1	7
	293	485	1,545	1,208

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

6. INCOME TAX EXPENSE

The amount of the income tax expense represents the following:

	Three months ended 30 September		Nine months ended 30 September	
	2014 (unaudited) HK\$'000	2013 (unaudited) HK\$'000	2014 (unaudited) HK\$'000	2013 (unaudited) HK\$'000
Current tax — Hong Kong profits tax charge for the period	618	194	1,930	972

The Company and its subsidiaries are subject to Hong Kong profits tax at the tax rate of 16.5% (2013: 16.5%) on the estimated assessable profits during the respective periods.

7. DIVIDENDS

The Board does not recommend the payment of any dividend of the Company for the nine months ended 30 September 2014 (2013: nil). Dividends declared and paid by China Precision Material Limited, a subsidiary of the Company, to the then shareholders for the nine months ended 30 September 2014 was HK\$1,500,000 (2013: nil).

8. EARNINGS PER SHARE

The calculation of earnings per share for the nine months ended 30 September 2014 is based on the profit for the period attributable to owners of the Company of approximately HK\$608,000 (2013: approximately HK\$5,756,000), and on the basis of 400,000,000 ordinary shares (2013: 400,000,000 ordinary shares) of the Company, being the number of shares in issue immediately after the completion of the bonus issue, as if these shares had been issued throughout the period.

The calculation of basic earnings per share for the three months ended 30 September 2014 is based on the profit for the period attributable to the owners of the Company of approximately HK\$1,143,000 (three months ended 30 September 2013: approximately HK\$1,940,000), and on the basis of 400,000,000 shares (three months ended 30 September 2013: 400,000,000 shares) of the Company, being the number of shares in issue immediately after the completion of the bonus issue, as if these shares had been issued throughout the period.

Diluted earnings per share are same as the basic earnings per share as there are no dilutive potential ordinary share in existence during these periods.

MANAGEMENT DISCUSSION AND ANALYSIS

Reorganisation

The companies now comprising the Group completed the Reorganisation immediately before the Listing of the Company's shares on GEM. Further details of the Reorganisation are set out in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus.

On 4 August 2014, the Company placed a total of 120,000,000 ordinary shares at the placing price of HK\$0.36 per share (the "Placing") and issued 110,858,022 ordinary shares to a shareholder, credited as fully paid-up, in consideration of capitalization of the loan due by the Group to the shareholders in the amount of approximately HK\$27.7 million (the "Loan Capitalisation").

The Company's shares were successfully listed on GEM on 5 August 2014.

Business Review

The trading of metals, including silver, gold and tin, and the processing of silver products in Hong Kong is the only reportable operating segment of the Group. The Group is one of the few reputable metal traders in Hong Kong which has its own fully integrated processing facilities and is capable of providing a diverse range of silver products to international customers.

The Group's revenue was mainly contributed by the sales of silver products, which accounted for almost 100% of the total revenue. For the nine months ended 30 September 2014, the Group recorded revenue of approximately HK\$1.9 billion from the sales of metal, representing a significant increase of 90% as compared with the revenue of approximately HK\$1.0 billion during the corresponding period in 2013. Such increase in revenue was mainly due to the increase in sales of processed silver products by 118% to 370 tonnes for the nine months ended 30 September 2014 from 170 tonnes during the corresponding period in 2013 and the direct trading of silver products of 22 tonnes.

For the nine months ended 30 September 2014, the Group processed 346 tonnes of silver products which represented an increase of 116% when compared with 160 tonnes during the corresponding period in 2013. Such increase is mainly due to the employment of more workers and the installation of additional processing equipment.

The Group recorded approximately HK\$0.6 million profit for the nine months ended 30 September 2014, representing a substantial reduction of 89% as compared with the profit of HK\$5.8 million profit for the corresponding period of 2013. The decrease in profit was mainly due to the recognition of the listing expenses of approximately HK\$8.2 million during the period under review. If taking out the listing expenses, the Group should have recorded a profit for the nine months ended 30 September 2014 of approximately HK\$8.8 million which represented an increase of 52% as compared with the profit recorded during the corresponding period in 2013.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

London Silver Price

Before the close of business on 14 August 2014, the sales and purchase price of our silver products were determined with reference to London Bullion Market Association (“LBMA”) silver price. The published single quoted benchmark price for trading silver was widely used as a pricing medium throughout the silver industry. It was available on the website of LBMA namely London Fixing Price and had been adopted by us as one of the reference to LBMA silver price. On 15 August 2014, a new benchmark price namely “London Silver Price” quoted under the new mechanism was published on LBMA’s website. According to the press release of LBMA dated 15 August 2014, the benchmark price will continue to be published and distributed by various data vendors and will be available on the LBMA’s website. After more than two months of operation, the Group perceived that the new pricing method of London Silver Price is functioning smoothly and has no impact on our silver trading operation.

Outlook

The preparation work of submitting the application for the license of the electrolysis is in progress. The Company has engaged Hong Kong Productivity Council to proceed the sampling and analysis of electrolysis solution for the license application. The Directors expect that the license application will be submitted by the end of 2014.

The silver price fluctuation and the global economy atmosphere impose significant impact on demand and supply of the physical silver market. The silver price recorded a significant drop of 12.5% from US\$19.41 per ounce on 1 January 2014 to US\$16.98 per ounce on 30 September 2014 and remains at the level of US\$17 for most of the period in October 2014. The silver price recorded a further reduction of 4.8% to US\$16.16 per ounce on 31 October 2014. The supply of silver scraps in Hong Kong has fallen sharply as a result of the international silver price remaining at comparatively low level. The volume of the silver processing and sales of the Group during October 2014 has been adversely affected and so for the coming quarter of 2014. However, interest income of the Group is picking up as some of our clients delay the price fixing of their silver transactions due to the continuously low silver price level. The Board considers that the overall financial position and operations of the Group remain sound and healthy.

The management is optimistic that the listing of the Company’s shares on GEM and the net proceeds from the Placing will undoubtedly enhance the Group’s brand image and strengthen its financial position.

Financial Review

For the nine months ended 30 September 2014, the Group recorded a total income of approximately HK\$1.9 billion, representing an increase of 90% against the corresponding period in 2013. Profit for the period under review was approximately HK\$0.6 million, a decrease of 89% as compared to the corresponding period in 2013, which was mainly caused by the recognition of the listing expenses of approximately HK\$8.2 million.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Significant investments, acquisitions and disposals

There were no significant investment held as at 30 September 2014, 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 our Group as at 30 September 2014 and there has not been any material change in the contingent liabilities of our Group since 30 September 2014.

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

As at 30 September 2014, 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	192,080,000 <i>(Note)</i>	48.02%
Chau Mei Fan	Beneficial owner	1,209,365	0.30%

Note: Mr. Tan directly and indirectly owned 55.71% equity interests in GobiMin Inc. (TSXV Symbol: GMN) which held 100% equity interests in GobiMin Investments Limited, which in turn held 100% equity interests in GobiMin Silver Limited, the controlling shareholder of the Company. By virtue of the SFO, Mr. Tan, GobiMin Inc. and GobiMin Investments Limited are deemed to have interest in the 192,080,000 ordinary shares of the Company held by GobiMin Silver Limited.

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	8,633	84.60%
Felipe Tan	GobiMin Inc.	Interest of a controlled corporation & beneficial owner	32,069,000	55.71%
Felipe Tan	GobiMin Investments Limited	Interest of a controlled corporation	1,000	55.71%
Felipe Tan	GobiMin Silver Limited	Interest of a controlled corporation	1,000	55.71%

Save as disclosed above, as at 30 September 2014, none of the Directors or chief executives or any of their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations which fall to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO, or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required to be 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 September 2014, 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 be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(Continued)*

Name	Nature of Interests	Number of ordinary shares	% of shareholding
GobiMin Inc.	Interest of a controlled corporation	192,080,000 <i>(Note 1)</i>	48.02%
GobiMin Investments Limited	Interest of a controlled corporation	192,080,000 <i>(Note 1)</i>	48.02%
GobiMin Silver Limited	Beneficial owner	192,080,000	48.02%
Huang Hongbin	Interest of a controlled corporation	54,700,516 <i>(Note 2)</i>	13.68%
Hong Jin Group Limited	Beneficial owner	54,700,516	13.68%
Wong Kei Yuen	Interest of a controlled corporation	25,608,095 <i>(Note 3)</i>	6.40%
CHP 1855 Limited	Beneficial owner	25,608,095	6.40%

Note 1: Mr. Tan directly and indirectly owned 55.71% equity interests in GobiMin Inc. which holds 100% equity interests in GobiMin Investments Limited, which in turn holds 100% equity interests in GobiMin Silver Limited, the controlling shareholder of the Company. By virtue of the SFO, GobiMin Inc. and GobiMin Investments Limited are deemed to have interest in the 192,080,000 ordinary shares of the Company held by GobiMin Silver Limited.

Note 2: These shares are held by Hong Jin Group Limited, which is wholly and beneficially owned by Mr. Huang Hongbin. By virtue of the SFO, Mr. Huang Hongbin is deemed to have interest in the 54,700,516 ordinary shares of the Company held by Hong Jin Group Limited. Mr. Huang Hongbin is a director of subsidiaries of the Company.

Note 3: These shares are held by CHP 1855 Limited, which is wholly and beneficially owned by Mr. Wong Kei Yuen. By virtue of the SFO, Mr. Wong Kei Yuen is deemed to have interest in the 25,608,095 ordinary shares of the Company held by CHP 1855 Limited.

Save as disclosed above, as at 30 September 2014, so far as is known to the Directors and the chief executives of the Company, no other persons or corporations (other than the Directors and the chief executives of the Company) has interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or, were directly or indirectly, interests in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members 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.

COMPETITION AND CONFLICT OF INTEREST

Apart from the business of our Group, Mr. Tan is also engaged in the other businesses including directly and indirectly owned (i) approximately 55.71% equity interests in GobiMin Inc., which is engaged in the exploration and exploitation of mineral resources in Xinjiang, PRC, shares of which are listed on the TSX Venture Exchange in Canada, and (ii) approximately 18.96% equity interests in Timeless Software Limited ("Timeless"), which is principally engaged in the information technology business and mining business, and shares of which are listed on GEM, as at 30 September 2014.

COMPETITION AND CONFLICT OF INTEREST *(Continued)*

Our Directors believe that the investments referred above are in completely different sectors from that of our Group and therefore do not and will not compete with the business of our Group. Our Group is mainly engaged in the trading of metals in Hong Kong, while GobiMin Inc. is involved in upstream activities of exploration and mining which involve entirely different technologies, machinery and expertise. Accordingly, our Group and GobiMin Inc. and its subsidiaries (“GobiMin Group”) are positioned in different specialised segments of the industry. The products of GobiMin Group may be similar with that our Group such as gold, but the market of GobiMin Group is in the PRC while our 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 our Group. Furthermore, Timeless is involved in the information technology sector and mining business which is entirely different from our metal processing and trading business. On 19 May 2014, the Group engaged Timeless to design and build a trading software system at a cost of HK\$342,000 with an annual maintenance fee of HK\$57,000. Mr. Tan and Ms. Tsang Wai Chun Marianna, the Company’s Directors, also act as directors of Timeless.

Mr. Tan, a director of both of our Group and GobiMin Group, has entered into a deed of non-competition in favour of our Group. Details of the deed of non-competition are set out in the section headed “Relationship with Our Controlling Shareholders” in the Prospectus.

Apart from those 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 2014.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by the Company’s compliance adviser, Alliance Capital Partners Limited (“Compliance Adviser”), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 27 March 2014 and effective on 5 August 2014, neither the Compliance Adviser nor its directors, employees or associates had any interests in relation to the Company as at 11 November 2014 which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

By order of the Board
Loco Hong Kong Holdings Limited
Felipe Tan
Chairman

Executive Directors:

Mr. Felipe Tan (*Chairman*)
Ms. Chau Mei Fan

Independent non-executive Directors:

Mr. Chan Ka Ling Edmond
Ms. Tsang Wai Chun Marianna
Mr. Tang Cornor Kwok Kau

Hong Kong, 11 November 2014