



LOCO HONG KONG HOLDINGS LIMITED

港銀控股有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 8162)



2015

First Quarterly Report

For The Three Months Ended 31 March 2015

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 (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 date of its publication 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 of the Company and its subsidiaries (collectively the “Group”) for the three months ended 31 March 2015 with comparative figures for the previous period as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		(Unaudited)	
		Three months ended 31 March	
	Note	2015 HK\$'000	2014 HK\$'000
Revenue			
— Sales of metal		282,268	698,649
— Interest income from customers and suppliers		841	265
— Order commission		21	18
		283,130	698,932
Trading gains/(losses) on commodity forward contracts		(2,068)	12,932
Other income		15	29
Total income		281,077	711,893
Inventories consumed		(277,345)	(705,761)
Staff costs		(1,187)	(656)
Depreciation		(181)	(212)
Listing expenses		—	(3,568)
Gain on disposal of property, plant and equipment		81	—
Foreign exchange gains/(losses)		1	(171)
Other operating expenses		(1,262)	(1,658)
Profit/(Loss) from operations		1,184	(133)
Finance costs	5	(92)	(773)
Profit/(Loss) before income tax expense		1,092	(906)
Income tax expense	6	(206)	(549)
Profit/(Loss) and total comprehensive income for the period		886	(1,455)
		HK cents	HK cents
Basic and diluted earnings/(losses) per share	8	0.22	(0.86)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital HK\$'000	(Unaudited) Merger reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2014		15,000	—	8,383	23,383
Loss and total comprehensive income for the period		—	—	(1,455)	(1,455)
Transactions with owners:					
Capitalisation for issue of shares		5,000	—	(5,000)	—
Dividend declared during the period	7	—	—	(1,500)	(1,500)
		5,000	—	(6,500)	(1,500)
At 31 March 2014		20,000	—	428	20,428
At 1 January 2015		85,643	(1,357)	3,840	88,126
Profit and total comprehensive income for the period		—	—	886	886
At 31 March 2015		85,643	(1,357)	4,726	89,012

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

The Company is a limited liability company 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.

In connection with the listing of the shares of the Company on the GEM, the Group underwent a reorganisation (the “Reorganisation”) and 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 1 January 2014 and the current group structure had always been in existence.

The condensed consolidated statement of comprehensive income and condensed consolidated statement of changes in equity of the Group for the three months ended 31 March 2014 include the results of all companies now comprising the Group as if the current structure had been in existence throughout the period.

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 AND ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared to comply with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules.

The accounting policies and method of computation used in the preparation of these results are consistent with those used in annual financial statements for the year ended 31 December 2014. The Group has adopted new or revised standards, amendments to standards and interpretations of Hong Kong Financial Reporting Standards (“HKFRSs”) which are effective for accounting periods commencing on or after 1 January 2015. The adoption of these new or revised standards, amendments to standards and interpretations does not have material impact on the condensed consolidated financial statements and does not result in substantial changes to the Group’s accounting policies.

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 May 2015.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

3. NEW AND REVISED HKFRSs ISSUED

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

	(Unaudited)	
	Three months ended 31 March	
	2015	2014
	HK\$'000	HK\$'000
Interests on bank loans repayable within 5 years	62	127
Interests on amount due to a related company repayable within 5 years	—	607
Total interest expenses	62	734
Bank charges	30	38
Interests on a finance lease	—	1
	92	773

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

6. INCOME TAX EXPENSE

The amount of the income tax expense represents the following:

	(Unaudited)	
	Three months ended 31 March	
	2015	2014
	HK\$'000	HK\$'000
Current tax — Hong Kong profits tax charge for the period	206	549

The Company and its subsidiaries are subject to Hong Kong profits tax at the tax rate of 16.5% (2014: 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 three months ended 31 March 2015. Dividends declared and paid by China Precision Material Limited, a subsidiary of the Company, to the then shareholders for the three months ended 31 March 2014 was HK\$1,500,000.

8. EARNINGS/(LOSSES) PER SHARE

The calculation of basic earnings per share for the three months ended 31 March 2015 is based on the profit for the period attributable to owners of the Company of approximately HK\$886,000 (three months ended 31 March 2014: loss of approximately HK\$1,455,000) and the weighted average of 400,000,000 (three months ended 31 March 2014: 169,141,978, 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) ordinary shares in issue during the period.

Diluted earnings/(losses) per share are same as the basic earnings/(losses) 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 on 5 August 2014. 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 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 that shareholder in the amount of approximately HK\$27.7 million.

Business Review

Sales of silver products accounted for almost 100% of the Group's total revenue. For the three months ended 31 March 2015, the Group recorded revenue of approximately HK\$282 million from the sales of metal, representing a decrease of 60% as compared with the revenue of approximately HK\$699 million during the corresponding period of last year. Such substantial deduction in revenue was mainly due to the decrease in sales of processed silver products to 65 tonnes (three months ended 31 March 2014: 121 tonnes) and direct trading of silver products to 1 tonne (three months ended 31 March 2014: 16 tonnes) for the three months ended 31 March 2015. It represented a decrease of 46% and 94% respectively as compared to the same period in 2014.

The Group processed 66 tonnes of silver products for the three months ended 31 March 2015 which represented a decrease of 33% when compared with 99 tonnes during the corresponding period in 2014. For the three months ended 31 March 2015, the Group reported a profit of approximately HK\$0.9 million (three months ended 31 March 2014: loss of HK\$1.5 million), representing an increase of 160% as compared with the corresponding period in 2014. The loss in 2014 was mainly due to the recognition of the listing expenses of approximately HK\$3.5 million. If ignoring such listing expenses, the profit of the Group for the three months ended 31 March 2014 were approximately HK\$2.1 million. As compared to the profit after taking out the listing expenses during the same period in 2014, the Group should have recorded a decrease of 58% in profit for the period under review.

The overall supply of silver scraps in Hong Kong has fallen as a result of the significant drop in international silver prices. The decrease in turnover and profit for the three months ended 31 March 2015 was mainly due to the inadequate supply of silver.

Although the volume of the silver processing and sales of the Group during the first quarter of 2015 were adversely impacted by the drop in supply of silver scraps, the performance of the Group has been improved for the period under review as compared to the last quarter of 2014. The interest income of the Group picked up as some clients had delayed the price fixing of their silver transactions due to the continuously low silver price level.



MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Outlook

With the assistance from the Hong Kong Productivity Council, the design of the laboratory has been commenced to match with the plan of expansion. The Group is also studying the possibility of branching out its businesses by building a raw material supply base in China.

The demand and supply of the physical silver market were adversely affected by the silver price fluctuation and the global economy atmosphere. The silver price dropped by 16% from US\$19.78 per ounce on 31 March 2014 to US\$16.66 per ounce on 31 March 2015 and maintain at the level around US\$15.74 to US\$16.60 per ounce for most of the period in April 2015. The supply of silver scraps in Hong Kong has fallen as a result of the international silver price remaining at comparatively low level. Although the volume of the silver processing and sales of the Group during the first half of 2015 will still be adversely impacted by the drop in supply of silver scraps, the Board considers that the turnover and results of the Group may be improved in the coming quarters and boosted in the long run once the businesses of the Group have been successfully branched out to China.

Financial Review

For the period under review, the Group recorded a total income of approximately HK\$282 million, representing a decrease of 60% against the corresponding period in 2014. Profit for the period under review was approximately HK\$0.9 million, an increase of 160% as compared to the corresponding period in 2014, which was mainly caused by the recognition of the listing expenses of approximately HK\$3.5 million in 2014.

Significant investments, acquisitions and disposals

There were no significant investment held as at 31 March 2015, nor other material acquisition and disposal 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 2015.

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

As at 31 March 2015, 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 (Note)	48.02%
Chau Mei Fan	Beneficial owner	1,209,365	0.30%

Note: Mr. Tan directly and indirectly owned 58.27% 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.

(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	58.27%
Felipe Tan	GobiMin Investments Limited	Interest of a controlled corporation	1,000	58.27%
Felipe Tan	GobiMin Silver Limited	Interest of a controlled corporation	1,000	58.27%

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

(Continued)

Save as disclosed above, as at 31 March 2015, 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 31 March 2015, 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:

Name	Nature of Interests	Number of ordinary shares	% of shareholding
GobiMin Inc.	Interest of a controlled corporation	192,080,000 (Note 1)	48.02%
GobiMin Investments Limited	Interest of a controlled corporation	192,080,000 (Note 1)	48.02%
GobiMin Silver Limited	Beneficial owner	192,080,000	48.02%
Huang Hongbin	Interest of a controlled corporation	54,700,516 (Note 2)	13.68%
Hong Jin Group Limited	Beneficial owner	54,700,516	13.68%
Wong Kei Yuen	Interest of a controlled corporation	25,608,095 (Note 3)	6.40%
CHP1855 Limited	Beneficial owner	25,608,095	6.40%

Note 1: Mr. Tan directly and indirectly owned 58.27% 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.

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

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 31 March 2015, 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 member 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 the Group, Mr. Tan is also engaged in the other businesses including directly and indirectly owned (i) approximately 58.27% 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 28.06% 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 31 March 2015.

Our 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. 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 the Group and GobiMin group, has entered into a deed of non-competition in favour of the 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 three months ended 31 March 2015.

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 May 2015 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
Mr. Tang Cornor Kwok Kau
Ms. Tsang Wai Chun Marianna

Hong Kong, 11 May 2015