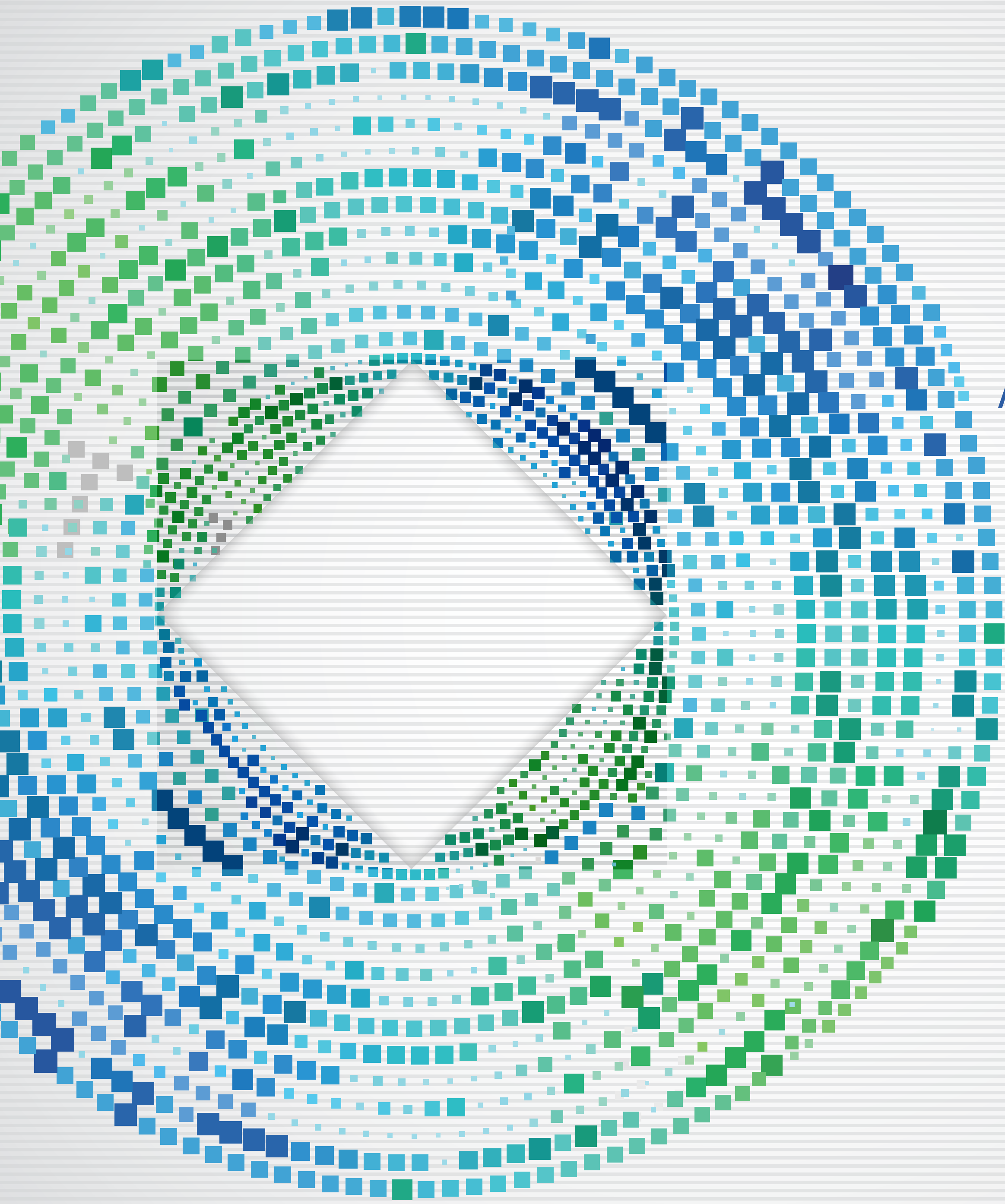
Loco Hong Kong Holdings Limited
港銀控股有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 8162)



2015
Annual Report

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 date of its publication and on the Company's website at www.locohongkong.com.

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CORPORATE PROFILE AND STRUCTURE

The principal activity of the Company is investment holding. The subsidiaries of the Company (together with the Company, the "Group") are engaged in the trading of metals and commodity forward contracts in Hong Kong as well as property holding. A summary of our subsidiaries is set out below:

Name	Place of Incorporation and Kind of Legal Entity	Percentage of Ownership Interests		Particulars of Issued Share Capital	Place of Operation and Principal Activities
		Directly	Indirectly		
Loco HK Limited	British Virgin Islands, limited liability company	100%	–	US$10	Investment holding in Hong Kong
China Precision Material Limited	Hong Kong, limited liability company	–	100%	HK$20,000,000	Metal and commodity forward contracts trading in Hong Kong
CPM Silver Limited	Hong Kong, limited liability company	–	100%	HK$10,000	Silver processing and property holding in Hong Kong
United Bridge Limited	Hong Kong, limited liability company	–	100%	HK$10,000	Dormant

CORPORATE INFORMATION

Directors

Executive Directors

Felipe TAN *(Chairman)*
CHAU Mei Fan

Independent Non-Executive Directors

CHAN Ka Ling Edmond
TANG Cornor Kwok Kau
TSANG Wai Chun Marianna

Audit Committee

CHAN Ka Ling Edmond *(Chairman)*
TANG Cornor Kwok Kau
TSANG Wai Chun Marianna

Remuneration Committee

TANG Cornor Kwok Kau *(Chairman)*
CHAN Ka Ling Edmond
TSANG Wai Chun Marianna
Felipe TAN

Nomination Committee

TSANG Wai Chun Marianna *(Chairlady)*
CHAN Ka Ling Edmond
TANG Cornor Kwok Kau
Felipe TAN

Hedging Committee

TANG Cornor Kwok Kau *(Chairman)*
CHAN Ka Ling Edmond
Felipe TAN
CHAU Mei Fan

Company Secretary

KO Yuen Kwan

Compliance Officer

Felipe TAN

Auditors

BDO Limited

Share Registrar and Transfer Office

Tricor Investor Services Limited

Compliance Adviser

Alliance Capital Partners Limited

Registered Office

Room 2003, 118 Connaught Road West, Hong Kong

Listing

Growth Enterprise Market of
The Stock Exchange of Hong Kong Limited

Stock Code

8162

Authorised Representatives to the Stock Exchange

Felipe TAN
KO Yuen Kwan

Website

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Email

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CHAIRMAN'S STATEMENT

Dear Shareholders

2015 was a financial year that has been particularly challenging for many Hong Kong companies in the metal industry due to market upheavals and some macro-economic factors.

During the year under review, the Group recorded a net loss of approximately HK$313,000 as compared with a net profit for last year, which was primarily due to the reduction in the sales volume of silver products. During the year of 2015, the descending silver price led to a slump in the import volume of silver scrap and products. According to the statistics published by the Hong Kong Census and Statistic Department, the total export and re-export of silver in 2015 decreased by 38% as compared to last year. This trend is expected to continue in 2016 that may further aggravate supply of silver in Hong Kong. Under this circumstance, sales revenue of the Group recorded a sharp fall and was inadequate to cover its operating cost.

The declining silver price made the decadent market situation even more complicated. Due to the stagnant market status, some other participants chose to leave the silver industry. Their withdrawal eased the competition somewhat; however, it also reflected the depression of the industry. In order to get through this tough time during the industry downturn of the silver sector, the Group has, on one hand, conducted some market management methods to consolidate our advantage in the shake-out stage as much as we could; on the other hand, implemented certain risk mitigation measures to cope with the industry downturn.

Looking ahead in coming year, there remain many uncertainties surrounding the recovery of global financial market and volatility in the metal industry, the Group will make great efforts in formulating effective strategies of actively looking for opportunities in order to turnaround from this situation. Although it is anticipated that the Group will continue to experience challenging times ahead, the Group will strive to overcome any hardships in the future and deliver on its objectives in a systematic way to generate rewards to the shareholders.

Lastly, on behalf of the Board, I would like to thank our committed staff for their invaluable contributions and enthusiasm in their work. I would also like to sincerely thank our suppliers, customers, business partners and shareholders for their support to the Group in the past years. In the coming year, we will continue to work closely to create success for the Company.

On behalf of the Board
Felipe Tan
Chairman

Hong Kong, 24 March 2016

Corporate Strategy and Business Model

The Group is principally engaged in the trading of metals in Hong Kong accompanied with trading of forward contracts for hedging purpose. We intend to strengthen our market position by (i) the expansion of the trading business with existing and potential suppliers and customers; (ii) the expansion and maintenance of the processing facilities; (iii) exercise of strict control over its expenditure; and (iv) implementation of risk management measures to face the challenges caused by the industry depression.

The Group purchases silver raw material when we have sufficient capital and source of silver raw material. For other metals, whenever we can secure the sale, we proceed with the purchase of other metals. In order to ensure a sufficient supply of silver products to our customers, we maintain a target inventory level, by taking into account silver supplies and our processing capacity. A sales contract is originated by an inquiry from and/or negotiation with our customers. The purchase or sales price is expressed as a discount to or premium over the prevailing market price at a date to be agreed. Such discount or premium is negotiated on a case by case basis between us and our suppliers or customers, after taking into account various factors such as prevailing market conditions, order sizes and business relationship with our suppliers or customers.

We operate the silver processing facilities with a view to enhancing the marketability as well as facilitating the trading of our silver products. Our processing involves melting silver raw materials and moulding them into the shapes and forms required by our customers. The business models of our direct trading of silver and other metals are essentially identical to the trading of silver products which involve processing, except that we do not process the products sold under our direct trading.

The Group adopts hedging strategies to avoid negative impact on our income arising from price fluctuation of metals and minimize the downward volatility of our profitability. Such strategies mainly include entering into forward contracts with our commodity dealers to fix the forward price contemporaneously upon our fixing the purchase or sales price with our suppliers or customers.

Business Review

The Group's income was mainly generated from the sales of silver products. During the year under review, the silver market price maintained at relatively low level, which adversely affected the overall silver supply in Hong Kong. Therefore, the sales volume of the silver products of the Group recorded a decrease during this year.

For the year ended 31 December 2015, the Group recorded a revenue from sales of metal of approximately HK$1.1 billion (2014: HK$2.1 billion), representing a significant decrease of 48% as compared with last year, of which 97% was contributed by sale of silver products and the remainings were contributed by sale of gold and tin (2014: 100% silver products). Such decrease in sale revenue was mainly due to the decrease in quantity sold of processed silver products by 37% to 258 tonnes (2014: 409 tonnes).

The silver price recorded a significant drop of 12% from US$15.71 per ounce on 1 January 2015 to US$13.85 per ounce on 31 December 2015. The volume of the silver processing and sales of the Group dropped substantially in the fourth quarter.

For the year ended 31 December 2015, the Group processed 279 tonnes (2014: 383 tonnes) of silver scrap and no subcontractor was engaged by the Group (2014: 27 tonnes) to process silver scrap. The total processing volume represented a decrease of 27% when compared with last year. Decrease in the silver products processed by the Group was mainly due to the undersupply of silver scrap in Hong Kong in 2015.

London Silver Price

The sales and purchase price of our silver products were determined with reference to a benchmark price namely "London Silver Price" quoted on the website of London Bullion Market Association and other prices published and distributed by various data vendors .

Outlook

During the year ended 31 December 2015, the sluggish global economy and declining silver market price materially affected the silver industry of Hong Kong. Corresponding to the fall in the silver price, the supply of silver scrap in Hong Kong also shown a sharp decrease, which had significantly impacted the sales volume of silver products of the Group. Looking ahead, the tendency of silver price would still remain unoptimistic in 2016 due to the unstable and enfeebled equity global market. Coupled with the volatile global financial system, the operating environment in the year ahead will be challenging.

In order to survive in the recession, we have to grasp every opportunity lying in the middle of these challenges. Some silver industry participants have left the market owing to the industrial depression. It is the chance for the Company to enlarge its market share when the competition became less intense. Therefore, the management will implement effective operating strategies to enlarge our market share, and conduct coping strategies to mitigate the risks of market recession.

Facing the huge extent of changes in the industry ahead, the Group will continue to exercise prudence in managing its expenditures, commit efforts in daily operation to enhance the quality of our silver products and constantly evolve its business strategies in a cautious manner.

Financial Review

For the year ended 31 December 2015, the Group had a total income of approximately HK$1.1 billion (2014: HK$2.1 billion), representing a decrease of 48% as compared with 2014. The Group recorded loss of approximately HK$0.3 million (2014: profit of HK$2.0 million) for the year ended 31 December 2015. The decrease in profit was due to (i) decrease in sale revenue by 48% from HK$2.1 billion in last year to HK$1.1 billion in current year; and (ii) increase in staff cost by 91% from HK$4.4 million in last year to HK$8.4 million in current year. The increase in staff cost in the year under review was mainly because more staff was required for the laboratory, internal control and compliance matters and due to payroll raised for existing staff and the grant of staff options. The key performance indicators of the Group include those provided above and in the sections "Business Review" and "Capital Structure, liquidity and financial resources" as well as "Financial Summary" of this annual report. They help the management to set, evaluate, implement and control strategies so as to improve our performance.

Capital Structure, liquidity and financial resources

As at 31 December 2015, the Group had cash and bank balances of approximately HK$36.0 million (2014: approximately HK$37.3 million) and net current assets of approximately HK$84.8 million (2014: approximately HK$83.1 million). As at 31 December 2015, the current ratio stood at 4.66 times (2014: 4.47 times).

The Group generally finances its operations primarily with internally generated cash flow and bank borrowings. The decrease in cash balance of HK$1.4 million mainly represented the acquisition of equipment for setting up of a laboratory, settlement of daily operating expenses and income tax paid, netting off the proceeds from disposal of a motor and carpark.

As at 31 December 2015, the Group had no outstanding borrowings (2014: nil).

As at 31 December 2015, the Group had banking facilities in aggregate amount of HK$10 million. The Directors believed that the Group has adequate financial resources to fulfill its commitments and working capital requirements.

Capital commitment

As at 31 December 2015, the Group did not have any significant capital commitment.

Employees and Remuneration Policy

As at 31 December 2015, the Group employed a total of 18 staff. The total of employee remuneration, including remuneration of the Directors, for the year ended 31 December 2015 amounted to approximately HK$8.4 million.

Staff remuneration is reviewed by the Group from time to time and increases are granted normally annually or by special adjustment depending on length of service and performance when warranted. In addition to salaries, the Group provides staff benefits including outpatient medical reimbursement and provident fund. Share options and bonuses are also available to employees of the Group at the discretion of the Directors and depending upon the financial performance of the Group.

Charge on the Group's assets

As at 31 December 2015, no Group's assets was pledged as security.

Future Plan for Material Investments and Capital Assets

The Group does not have any concrete plan for material investments or capital assets for the coming year. Nonetheless, if any potential investment opportunity arises in the coming year, the Group will prepare the feasibility study and implementation plan when it is beneficial to the Group and its shareholders as a whole.

Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: nil).

Gearing ratio

As at 31 December 2015, the Group has no gearing ratio as the Group has no borrowing at 31 December 2015 (2014: nil).

Foreign Exchange Exposure

Material fluctuations in foreign exchange rates may adversely affect our business and performance.

Our sales, purchases and borrowings are predominantly denominated in US$. However, some of our receipt, payment and expenses are settled in Renminbi ("RMB") or Hong Kong dollars and therefore we are subject to currency risks. The exchange rate of US$ to Hong Kong dollars has been relatively stable throughout the year under review, the exposure to US$ exchange rate fluctuations is minimal. The exchange rates of different currencies are subject to continuous movements affected by international political and economic conditions and changes in the government's economic and monetary policies of the People's Republic of China ("PRC"). The possible appreciation of the RMB against the relevant foreign currencies would have an adverse effect on purchasing power of the relevant foreign currencies and our business and performance.

The Group does not currently engage in foreign currency hedging activities.

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 31 December 2015 and there has not been any material change in the contingent liabilities of the Group since 31 December 2015.

Comparison of Business Objectives with Actual Business Progress

The following is a comparison between the Group's business objectives as set out in the listing document of the Company dated 29 July 2014 (the "Prospectus") and the actual business progress for the year ended 31 December 2015.

Business Objectives for the year ended 31 December 2015	Actual Business Progress for the year ended 31 December 2015
Expansion of our trading business	
• Continue to develop relationship with existing and potential customers and suppliers of silver, gold and other metals as well as silver raw material with a lower fineness	• The Group continued to trade with existing customers and suppliers and had four new customers on silver business, two new customers on gold business and one new tin supplier during the year.
• Continue to liaise with members of CGSE to promote silver to local investors	• The Group continued to maintain good relationship with members of CGSE so as to expand potential business locally.
Expansion and maintenance of processing facilities	
• Consider the necessity of renovating existing processing facilities to support possible expansion of business	• During the year, the registration and licenses required for electrolysis activities and the set up of the laboratory were completed. The Group has also completed the setup of an inductively coupled plasma optical emission spectrometry ("ICP-OES"). The ICP-OES can test the fineness of the raw materials purchased and enable the Group to provide fineness testing of raw materials for customers.

Use of Proceeds

The planned use of the proceeds as stated in the Prospectus were based on the best estimation of future market conditions made by the Group at the time of preparing the Prospectus. The net proceeds of approximately HK$28.5 million was raised from the Placing and was used according to the plan and adjusted for the actual market development. During the period from the date of listing (the "Listing") of the Company's shares on GEM to 31 December 2014, the net proceeds had been fully applied as follows:

	Planned use of proceeds HK$'000	**Actual use of proceeds** HK$'000
Setting up a testing laboratory and acquisition of machinery	1,500	—
Repayment of a bank loan	7,900	7,900
Acquisition of silver inventories	19,000	20,600
	28,400	28,500

The deviation of the actual use of proceeds from the original plan was mainly for set-up of the laboratory. As it took more time than expected to get quotation for the suitable equipment for the laboratory in 2014, the laboratory was completed in 2015. The total cost of set-up of the testing laboratory and acquisition of machinery amounted to approximately HK$1.4 million, funded by the cash generated from the operation.

Executive Directors

Mr. Felipe Tan, aged 61, was appointed as a Director on 14 February 2014. He is also the Chairman of the Board and an executive Director. He has served as a director of China Precision Material Limited ("CPM"), CPM Silver Limited ("CPM Silver") and United Bridge Limited ("United Bridge"), wholly-owned subsidiaries of the Company since March 2009, May 2009 and November 2010 respectively. He is responsible for the overall corporate strategies, management, planning business development and hedging activities of the Group. Mr. Felipe Tan ("Mr. Tan") has over 30 years of experience in metal trading and monitoring hedging activities, including more than 13 years of management experience in the mining industry in the PRC. Currently, he is the chairman of the board, president and chief executive officer of GobiMin Inc. ("GobiMin") (Symbol: GMN), a company engaged in the exploration and exploitation of mineral resources in Xinjiang, the PRC and shares of which have been listed on the TSX Venture Exchange since 1 October 2005. GobiMin is a controlling shareholder of the Company and holds the shares in the Company through its subsidiaries. Mr. Tan has also been an executive director of Timeless Software Limited ("Timeless") (stock code: 8028) since 30 September 2012. Timeless is principally engaged in the computer hardware and software and mining business, the shares of which are listed on GEM. In addition, Mr. Tan is a director of Jiangmen Proudly Water-soluble Plastic Co., Ltd. (NEEQ: 833367), the shares of which are traded on the National Equities Exchange and Quotations in the PRC since 10 September 2015. Save as disclosed above, Mr. Tan has not been a director of any public listed company, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years. Mr. Tan is the brother-in-law of Ms. Chau Mei Fan, an executive Director.

Ms. Chau Mei Fan, aged 54, was appointed as a Director on 14 February 2014. She is also an executive Director and mainly responsible for overseeing the daily operations of the Group. She joined the Group in 2009 and has served as a director of CPM and CPM Silver since July 2011, and a director of United Bridge since June 2012. Prior to joining the Group, Ms. Chau has previously worked for various businesses in Hong Kong. She has over 20 years of experience in metals trading, including silver, and over 10 years in monitoring hedging activities. Ms. Chau is the sister-in-law of Mr. Tan, the Chairman of the Board and an executive Director. Ms. Chau has not been a director of any public listed company, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Independent Non-executive Directors

Mr. Chan Ka Ling Edmond, aged 57, was appointed as an independent non-executive Director on 22 July 2014. Mr. Chan is a certified public accountant of the Hong Kong Institute of Certified Public Accountants ("HKICPA") and a member of the Association of Chartered Certified Accountants. Mr. Chan has comprehensive experience in auditing, accounting and financial management. Mr. Chan is currently a director of an audit firm in Hong Kong. Mr. Chan has served as an independent non-executive director of China Nuclear Energy Technology Corporation Limited (formerly China Nuclear Industry 23 International Corporation Limited) (stock code: 611), the shares of which are listed on the Main Board of the Stock Exchange since 7 August 1992. Save as disclosed above, Mr. Chan has not been a director of any public listed company, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Mr. Tang Cornor Kwok Kau, aged 55, was appointed as an independent non-executive Director on 22 July 2014. Mr. Tang has been the deputy managing director of Shougang Concord Century Holdings Limited (Stock Code: 103), the shares of which are listed on the Main Board of the Stock Exchange since March 2000. Shougang Concord Century Holdings Limited is principally engaged in manufacturing of steel cords; and processing and trading of copper and brass products. He obtained a Bachelor's degree in Business Administration and a Master's degree in Business Administration from York University in Canada in June 1983 and June 1984 respectively. Prior to joining Shougang Concord Century Holdings Limited, Mr. Tang had held senior positions with various international investment banks. He also has over 15 years of experience in corporate and investment banking. Save as disclosed above, Mr. Tang has not been a director of any public listed company, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Ms. Tsang Wai Chun Marianna, aged 61, was appointed as an independent non-executive Director on 22 July 2014. Ms. Tsang Wai Chun Marianna ("Ms. Tsang") is the Managing Director of TWC Management Limited. She is a member of the Institute of Chartered Secretaries and Administrators, the Hong Kong Institute of Company Secretaries, the Taxation Institute of Hong Kong, the Chartered Institute of Personnel and Development, the Society of Registered Financial Planners, the Chartered Institute of Arbitrators, the Institute of Financial Accountants and Institute of Public Accountants in Australia. She is appointed as a member of the Board of Review (Inland Revenue Ordinance). Ms. Tsang has over 30 years of company secretarial, corporate affairs, and related legal working experience in major commercial corporations and in professional firms. She has a postgraduate certificate in Professional Accounting in November 2002. Ms. Tsang has served as an independent non-executive director of Timeless since 16 October 2003. Save as disclosed above, Ms. Tsang has not been a director of any public listed company, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Compliance Officer

Mr. Felipe Tan is the compliance officer of the Company.

Senior Management

Our senior management comprises the executive Directors and the following persons:

Mr. Huang Hongbin, aged 53, is the relationship officer and one of the founders of the Group. He is responsible for overseeing the relationship with our customers and suppliers. Mr. Huang, who is also a director of CPM since March 2009 and CPM Silver since May 2009, has more than 15 years of experience in trading of precious metals. Mr. Huang had been a member of the senior management of a jewelry trading company in Guangdong Province, the PRC since 1998 before joining the Group. Mr. Huang was appointed as relationship officer on 1 September 2010. Mr. Huang has not been a director of any public listed company, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Mr. Yeung Tsap Yee Harry, aged 57, is the workshop manager of the Group. He is responsible for overseeing the processing workshop of the Group. Prior to joining the Group on 2 July 2010, Mr. Yeung has over 23 years of experience in processing precious metals. He had worked for different subsidiaries of a company formerly listed on the Main Board of the Stock Exchange, whose principal activities included wholesaling and trading of gold bullion, and wholesaling and retailing of gold ornaments, diamonds and other jewelry mainly in Hong Kong and the PRC. He has not been a director of any public listed company, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Ms. Lau Yun Fong Carman, aged 49, is the financial controller of the Group. She is responsible for the finance and accounting function of the Group. Ms. Lau is an associate member of the HKICPA and has over 15 years of extensive experience in auditing and corporate finance management. Prior to joining the Group on 22 July 2014, Ms. Lau had worked in an international accounting firm and then served for over 10 years in a company listed on the Main Board of the Stock Exchange from 2003 to 2012. Ms. Lau graduated from the University of Hong Kong with a Bachelor's degree of Social Sciences. Ms. Lau has been the executive director of Timeless since 17 November 2014. Save as disclosed above, Ms. Lau has not been a director of any public listed company, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Company Secretary

Ms. Ko Yuen Kwan, aged 51, has comprehensive experience in finance, accounting and compliance matters of listed companies in Hong Kong and Canada. Ms. Ko is currently the Chief Financial Officer, Vice President Corporate Affairs & Secretary of GobiMin. From 1994 to 2006, Ms. Ko had been the company secretary of a company listed on the Main Board of the Stock Exchange and was responsible for its company secretarial, legal and compliance matters. Ms. Ko joined the Group on 14 February 2014. Ms. Ko obtained a Master's degree in Professional Accounting from the Hong Kong Polytechnic University. She is a member of the HKICPA, the CPA Australia and the Hong Kong Institute of Chartered Secretaries. Ms. Ko has not been a director of any public listed company, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

CORPORATE GOVERNANCE REPORT

The Company is committed to attain a high standard of corporate governance practices to safeguard the interests of its shareholders and enhance the shareholder value.

Code on Corporate Governance Practices

During the year ended 31 December 2015, the Company has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 of the GEM Listing Rules ("Code Provisions"). The Board reviews and improves its corporate governance practices from time to time so as to ensure that they comply with the statutory requirements and the Code Provisions.

Code of Conduct Regarding Securities Transactions by Directors

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, they confirmed their compliance with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by the Company throughout the year ended 31 December 2015.

Board of Directors

(a) Board Composition

As at 31 December 2015, the Board of the Company comprised five Directors including two executive Directors, namely Mr. Felipe Tan and Ms. Chau Mei Fan; and three independent non-executive Directors, namely Mr. Chan Ka Ling Edmond, Mr. Tang Cornor Kwok Kau and Ms. Tsang Wai Chun Marianna.

The biographical details of all Directors and senior management of the Company are set out on pages 10 to 12 of the annual report. To the best knowledge of the Company, save as disclosed under the section "Biographical Details of Directors and Senior Management", there is no financial, business, family or other material or relevant relationships among members of the Board.

(b) Function of the Board

The Board considers, oversees and approves the overall businesses, strategic direction and financial performance of the Group; develop and perform the corporate governance duties of the Company; monitor the implementation of these policies and strategies and responsible for the management of the Company. The Board is the ultimate decision making body of the Company except for matters requiring shareholder approval pursuant to the Articles of Association of the Company (the "Articles of Association"), the GEM Listing Rules and other applicable laws and regulations.

The daily operation of the Company is delegated to the management team with substantial experience and expertise to which the Board delegates the authority and responsibility for implementing the policies and strategies of the Group.

(c) Board Meetings

The Directors can attend meetings in person or through other means of electronic communication in accordance with the Articles of Association.

The Board schedules four meetings a year at approximately quarterly intervals and will meet as necessary. During the year ended 31 December 2015, the Board held five board meetings. The Company Secretary prepares minutes to record matters discussed and decisions resolved at the Board meetings. Minutes are kept by the Company Secretary with copies circulated to all Directors for information and records.

(d) Appointment, Re-election and Removal of Directors

Under A.4.1 of the Code Provisions, independent non-executive Directors should be appointed for a specific terms, subject to re-election. Each of the independent non-executive Directors have entered into a letter of appointment with the Company for a term of three years commencing from 22 July 2014 subject to termination, among others, by giving not less than three months' written notice.

Each of the executive Directors have entered into a service agreement with the Company for a term of three years commencing from 22 July 2014 or the date of Listing subject to termination in certain circumstances as stipulated in the relevant service contract.

In compliance with A.4.2 of the Code Provisions, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. By virtue of Article 68 of the Articles of Association, the Board may, at any time, and from time to time, appoint any person to be a Director, either to fill a casual vacancy or by way of addition to their number so long as the number of Directors does not exceed the maximum number determined from time to time (if any) by the shareholders in any general meeting. Any Director so appointed to fill a casual vacancy shall hold office until the first general meeting of members after the appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company, and shall then be eligible for reappointment, but shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at each annual general meeting.

In compliance with A.4.2 of the Code Provisions, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Further, pursuant to Article 69 of the Articles of Association, at each annual general meeting, one third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number of Directors nearest to but not greater than one third of the total number of Directors (or such other number as may be required under applicable legislation), shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The Directors to retire in every year shall be those who have been longest in office since their last election but as between persons who become Directors on the same day, the Directors to retire shall be (unless otherwise agreed amongst themselves) in order by which such Directors were appointed on the day of their last election.

(e) Independent Non-Executive Directors

The Company has three independent non-executive Directors which complies with Rule 5.05(1) of the GEM Listing Rules. Among the three independent non-executive Directors, Mr. Chan Ka Ling Edmond has appropriate professional qualifications or accounting or related financial management expertise as required by Rule 5.05(2) of the GEM Listing Rules. The independent non-executive Directors represent at least one-third of the Board in compliance with Rule 5.05A of the GEM Listing Rules.

The Company has received from each of the independent non-executive Directors a written confirmation or an annual confirmation of his/her independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers the independent non-executive Directors are or have been remained independent.

(f) Chairman and Chief Executive Officer

According to A.2.1 of the Code Provisions, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. During the year, the role of chairman is performed by Mr. Felipe Tan but the office of the chief executive officer of the Company is vacated. The Board will continue to review the current Board composition from time to time and would take into account of the requirement of the Group's business development and fill the post as appropriate should candidate with suitable knowledge, skills and experience be identified. The Nomination Committee will also review the diversity of the Board to ensure its continued effectiveness.

(g) Directors' Participation in Continuous Professional Trainings

According to A.6.5 of the Code Provisions, all directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant. Each newly appointed Director would receive a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the GEM Listing Rules and other relevant regulatory requirements. During the year under review, the Company has arranged and/or introduced some training courses for the Directors to develop and explore their knowledge and skills in relation to the updates on laws, rules and regulations which might be relevant to their roles.

The Directors confirmed that they have complied with A.6.5 of the Code Provisions on the Directors' training. During the year under review, all the Directors have participated in continuous professional development by attending seminars or reading materials to develop and refresh their knowledge and skills and provided a record of the training to the Company.

Name of Directors	Attending training courses/reading relevant materials in relation to the business, GEM Listing Rules or directors' duties
Executive Directors:	
Mr. Felipe Tan	Yes
Ms. Chau Mei Fan	Yes
Independent Non-Executive Directors:	
Mr. Chan Ka Ling Edmond	Yes
Ms. Tsang Wai Chun Marianna	Yes
Mr. Tang Cornor Kwok Kau	Yes

(h) Directors' and Officers' Liabilities Insurance and Indemnity

The Company has arranged for Directors' and Officers' Liability Insurance and Indemnity covering the liabilities in respect of the legal action against the Directors that may arise out in the corporate activities which has been complied with the Code Provisions. The insurance coverage is reviewed on an annual basis.

Board Committees

(a) 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.

Our Audit committee comprises three independent non-executive Directors, namely Mr. Chan Ka Ling Edmond, Mr. Tang Cornor Kwok Kau and Ms. Tsang Wai Chun Marianna. Mr. Chan Ka Ling Edmond is the chairman of the Audit Committee.

The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 December 2015.

(b) Remuneration Committee

We established our Remuneration Committee on 22 July 2014 with written terms of reference in compliance with B.1 of the Code Provisions. Amongst other things, the primary duties of the Remuneration Committee are to make recommendations to the Board on remuneration packages of all of our executive Directors and senior management, including benefits in kind, pension rights and compensation payments, any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board on remuneration of independent non-executive Directors.

Our Remuneration Committee comprises three independent non-executive Directors, namely Mr. Tang Cornor Kwok Kau, Mr. Chan Ka Ling Edmond, Ms. Tsang Wai Chun Marianna and one executive Director, Mr. Felipe Tan. Mr. Tang Cornor Kwok Kau is the chairman of our Remuneration Committee.

(c) Nomination Committee

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

Our Nomination Committee comprises three independent non-executive Directors, namely Ms. Tsang Wai Chun Marianna, Mr. Chan Ka Ling Edmond, Mr. Tang Cornor Kwok Kau and one executive Director, Mr. Felipe Tan. Ms. Tsang Wai Chun Marianna is the chairlady of the Nomination Committee.

(d) Hedging Committee

We established our Hedging Committee on 22 July 2014 with written terms of reference. The Hedging Committee is mainly responsible for evaluating our hedging strategies and performance.

Our Hedging Committee comprises Mr. Tang Cornor Kwok Kau, Mr. Chan Ka Ling Edmond, Mr. Felipe Tan and Ms. Chau Mei Fan. Mr. Tang Cornor Kwok Kau is the chairman of the Hedging Committee.

(e) Attendance at Board Meetings, Board Committee Meetings and General Meetings

Details of the attendance of the Directors at the Board Meetings, Board Committee Meetings and General Meetings during the year under review are as follows:

	Number of Meetings Attended/Held During the Year under Review					
Name of Directors	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Hedging Committee Meeting	General Meeting
Executive Directors:						
Mr. Felipe Tan	5/5	–	2/2	1/1	4/4	1/1
Ms. Chau Mei Fan	5/5	–	–	–	4/4	1/1
Independent Non-Executive Directors:						
Mr. Chan Ka Ling Edmond	4/5	4/4	2/2	1/1	4/4	1/1
Mr. Tang Cornor Kwok Kau	4/5	4/4	2/2	1/1	4/4	1/1
Ms. Tsang Wai Chun Marianna	4/5	4/4	2/2	1/1	–	1/1

Auditor's Remuneration

For the year ended 31 December 2015, the fees paid/payable to the auditor in respect of the audit and non-audit services were as follows:

Type of Services	2015 HK$'000	2014 HK$'000
Audit Services	530	520
Non-Audit Services	—	1,960
Total	530	2,480

During the year ended 31 December 2014, the Group had engaged the auditor to provide non-audit services in relation to application for listing of the shares of the Company on the GEM.

Directors' and Auditors' Responsibility for the Financial Statements

The Directors acknowledge their responsibility for the preparation of the financial statements of the Group for each financial period to give a true and fair view of the state of affairs of the Group and the results and cash flows for that period. In preparing the financial statements for the year ended 31 December 2015, the Board uses appropriate accounting policies that are consistently applied, makes judgment and estimates that are reasonable and prudent, and that all applicable accounting standards are followed. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The Directors continue to adopt the going concern approach in preparing the financial statements and not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The reporting responsibilities of the Company's auditor, BDO Limited, are set out in the section headed "Independent Auditors' Report" on page 38 to 39 of this annual report.

During the year under review, the Board did not take a different view from the Audit Committee on the appointment of external auditor.

Internal Control

The Board is responsible for the internal control of the Group for reviewing its effectiveness. The Audit Committee assists the Board in meeting its responsibilities for maintaining an effective system of internal control. It reviews the process by which the Group evaluates its control environment and risk assessment, and the way in which business and controls are managed. Procedures have been designed to facilitate the effectiveness and efficiencies of operations, safeguard assets against unauthorized use and disposition, ensuring the maintenance of proper accounting records and the truth and fairness of the financial statements, and ensuring compliance of applicable laws, rules and regulations. The procedures aim to achieve reasonable assurance against material errors, losses and fraud.

Company Secretary

The Company Secretary is an employee of the Company and has day-to-day knowledge of the Company's affairs. The Company Secretary reports to the Chairman and is responsible for advising the Board on governance matters. For the year under review, the Company Secretary has confirmed that she has taken no less than 15 hours of relevant professional training. The biography of the Company Secretary is set out on page 12 of this annual report.

Changes in Constitutional Documents

During the year ended 31 December 2015, there was no change in the constitutional documents.

Shareholders' Rights

Shareholders holding at the date of deposit of the requisition not less than 5% of the total voting rights of all the members having a right to vote at general meetings of the Company and shall at all times have the right, by written requisition to the Board, to require an extraordinary general meeting ("EGM") to be convened by the Board. Such requisition, signed by the shareholders concerned, must state the general nature of the business to be dealt with at the meeting and may include a text of resolution that is intended to be moved at the meeting. If within 21 days from the date of such deposit, the Board fails to proceed to such meeting the shareholders concerned may themselves convened an EGM, but any EGM so convened shall not be held after the expiration of three months after the date on which the Directors become subject to the requirement to call a meeting.

If a shareholder (other than the candidate) wishes to propose any candidate as director of the Company, the following documents should be duly lodged at the head office of the Company at Room 2003, 118 Connaught Road West, Hong Kong for the attention of the Company Secretary, not earlier than the day after the dispatch of the notice of the general meeting and not later than seven days prior to the date fixed for the meeting:

(a) a written notice by the shareholder of his intention to propose a resolution for the appointment or reappointment of that candidate, duly signed by the shareholder with his/her name and address stated clearly in an eligible manner, the validity of which is subject to verification and confirmation by the Company's share registrar according to its records;

(b) a written notice duly executed by the candidate of his willingness to be appointed or re-appointed;

(c) written consent of the publication of the candidate's information together with the candidate's biographical information as required by Rule 17.50(2) of the GEM Listing Rules; and

(d) the candidate's written consent to the publication of his/her personal data.

Communication with Shareholders

The Company recognizes the importance of maintaining an on-going communication with shareholders to ensure that shareholders are kept well informed of the business activities and direction of the Group.

The Company uses a range of communication tools including various notices, announcements, circulars, annual report and annual general meeting to disclose relevant information to shareholders. Separate resolutions are proposed at general meeting on each substantially separate issue, including the re-election of Directors. The Chairman of the Board and the Chairman of all board committees, together with the external auditor, shall attend the annual general meeting to answer the enquiries of shareholders. In compliance with the Code Provision E.1.3, the notice of annual general meeting will be sent to shareholders at least 20 clear business days before the meeting.

To further promote the effective communication with shareholders and the public, the corporate website is maintained to disseminate the information of the Group electronically on a timely basis.

Voting by Poll

All resolutions put to the general meeting will be voted by poll at the meeting in accordance with the requirements of the GEM Listing Rules.

To ensure that shareholders are familiar with the detailed procedures for conducting a poll, the chairman of the meeting will explain the detailed procedures for conducting a poll at the commencement of the meeting and then answer any questions from shareholders regarding voting by way of a poll.

At the conclusion of the general meeting, the poll results will be published on the GEM website and the Company's website.

Enquiries to the Board

Enquiries from shareholders to the Board can be sent in writing to the Company at the registered office in Hong Kong or by email to info@locohongkong.com as stated on the Company's website.

REPORT OF THE DIRECTORS

The Directors present their annual report together with the audited consolidated financial statements for the year ended 31 December 2015.

Principal Activities

The principal activities of the Company is investment holding. The principal activities of the Group are trading of metals and commodity forward contracts and the processing of silver products in Hong Kong as well as property holding, which is the only reportable operating segment of the Group.

Results and Appropriations

The results of the Group for the year ended 31 December 2015 and the state of the Company's and the Group's affairs as at the date are set out in the financial statements on pages 40 to 90.

The Directors do not recommend the payment of dividend in respect of the year ended 31 December 2015.

Business Review and Performance

Review of business and performance

A review of the business of the Company and a discussion and analysis of the Group's performance during the year and the outlook of Company's business can be found in the Management Discussion and Analysis set out on pages 4 to 9 of this annual report. This discussion forms part of this Directors' Report.

Principal Risks and Uncertainties

The Group's performance may be directly or indirectly affected by risks and uncertainties relating to the Group's businesses. The followings are the principal risk factors facing the Company as required to be disclosed pursuant to the Companies Ordinance (Chapter 622 of the laws of Hong Kong) and are those that could result in the Group's business performance, financial condition, operations results or development prospects materially different from expected or historical results.

1. Competition

The significant falls in commodity prices experienced during 2015 and the pessimistic medium-term outlook make this the Group's foremost risk. The market price declines would lead to a severe drag on the metal supply and so our financial performance. Under a reduction in the global market size and the shrinkage of the Hong Kong market, the Group operates in a competitive environment. The operating result of the Group may be impacted due to the market constraint. The Group aims to mitigate this risk by maintaining close relationships with our customers, seeking to expand our customer base and providing differentiating services.

2. Forward contracts trading and competition

We have entered into forward contracts with commodity dealers to hedge our exposure on metal price which changes from time to time. In the event any of these commodity dealers faces any financial difficulties which affect their ability to settle any of the forward contracts entered into between them and us, our financial position may be adversely affected. Therefore, the Group continues to monitor the operating conditions of these commodity dealers by implementing countermeasures in time in case of their financial dilemmas.

3. Supply of metal materials

We are dependent on the continuous supply of material from a few suppliers. Any shortage or delay in the supply of metal materials and metal products from them, any deterioration in our relationships with these suppliers or any change in their existing marketing strategies may affect our ability to fulfill our customers' demand, resulting in adverse impact on our business and results of operations. In order to maintain sufficient supply of metal materials, the Group makes great effort to establish good relationship with more suppliers to secure potential alternative sources of metal supply.

4. Customer base

Our five largest customers accounted for a significant portion of our revenue. If any of them were to substantially reduce the volume and/or the value of the orders it places with us or were to terminate its business relationship with us entirely, our profit level may be adversely affected. In management of such risk, the Group continues to implement its strategies to develop and enlarge its market share, and strives to explore potential customers to reduce its dependency on specific clients.

5. Financial risk

The Group needs funds to manage its working capital requirements and fund new projects. We may come across other opportunities to expand our business. If we are unable to secure adequate funds for our business needs in a timely manner and on reasonable terms, we are not able to implement our plans and to develop new projects. We regularly review cash flow requirements and the cash flow generated from its core operation to ensure the Group can meet financial obligations as and when they fall due.

6. Operational risk

The Group is exposed to risks of unexpected losses attributable to human error, systems failures, frauds, or inadequate internal controls. Responsibility for managing operational risks basically rests with every function at departmental levels. The staff is guided by procedure manuals, limits of authority and reporting framework to carry out the duties. We identify and assess key operational exposures continuously and regularly so that appropriate response can be taken. We aim to mitigate operational risks through proper policies and procedures, segregation of duties, and timely and accurate management reports. We review and update the policies and procedures from time to time so as to maintain a strong and discipline control environment.

7. Health and safety

The Group, especially our processing facilities, may be subject to various risks such as industrial accidents, equipment failure and other catastrophic events, which could have a material adverse effect on our business, financial condition, results of operations and prospects. The Group has developed health and safety procedures to clearly define roles and responsibilities in order to identify and mitigate risk. The Group has no health and safety incidents or reportable accidents during the year. In addition, the Group arranges insurance policies to cover the losses or liabilities of such risks.

8. Certificates and approvals

The Group requires certain certificates, licences and permits and approvals for the operation, such as registration as a chemical waste producer under the Waste Disposal (Chemical Waste) (General) Regulation (Chapter 354C of the laws of Hong Kong), licence for discharge of industrial effluent pursuant to section 20 of the Water Pollution Control Ordinance (Chapter 358 of the laws of Hong Kong), certificate of fitness for a pressure vessel pursuant to Boilers and Pressure Vessels Ordinance (Chapter 56 of the laws of Hong Kong), and lifting appliances certificate of results of thorough examination in the preceding twelve months pursuant to the Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations (Chapter 59J of the laws of Hong Kong). We must comply with the relevant standards, laws and regulations and as well as restrictions and conditions, imposed by the governmental authorities on application and renewal. The Group must also comply with new standards, laws and regulations that may entail greater or lesser costs and delays. New laws and regulations, amendments to existing laws and regulations, or more stringent enforcement would have adverse impacts on the Group's result of operations and financial position. If we fail to comply with any of the relevant regulations, we may not be able to maintain our certificates and approvals and our operations would be significantly disrupted or even suspended. The Group commits to comply with the laws and regulatory requirements applicable to our operations. We ensure full compliance through close monitoring of legislative requirements and, when needed, engagement with professional advisers.

9. Key personnel and management

Our key personnel and management talent, effort and expertise in the industry are crucial to our operations and financial performance. Whilst the Group has entered into contractual agreements with the aim of securing the services of these personnel, the retention of their services cannot be guaranteed. The development and success of the Group depends on the Company's ability to recruit and retain high quality and experienced staff. The loss of the service of key personnel or the inability to attract additional qualified personnel as the Group grows could have an adverse effect on future business and financial conditions. In order to mitigate such risk, the Group reviews and improves the recruitment and retention practices on a regular basis to retain competent staff. The Group provides competitive remuneration package to attract and retain their services.

Environmental Policies and Performance

The Group is committed to the long term sustainability of the environment and communities in which it operates. Acting in an environmentally responsible manner, the Group endeavours to comply with laws and regulations regarding environmental protection and to adopt effective measures to achieve efficient use of resources, energy saving and waste reduction.

Green initiatives and measures have been adopted in the Group's office and workshop. Such initiatives include replacement of the new LED lighting for reducing electricity consumption in the office, promoting double-sided printing and copying, and reducing energy consumption by switching off idle lightings and electrical appliance. The Group also encourages using office equipment carrying Energy Label issued by the Electrical and Mechanical Services Department so as to save energy in the office.

The Group will review its environmental practices from time to time and will implement further eco-friendly measures and practices closely adhering to the 3Rs - Reduce, Recycle and Reuse and enhancing environmental sustainability.

Compliance with the Relevant Laws and Regulations

The Group has compliance policies and procedures in place to ensure adherence to applicable laws, rules and regulations, in particular, those have a significant impact on the Group. The Audit Committee is delegated by the Board to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements. During the year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

Relationship with Employees, Suppliers and Customers

The Group believes that employees are important and valuable assets and thus we provide competitive and attractive remuneration packages to retain the employees. The management reviews annually the remuneration to its employees of the Group.

The Group values long standing relationships with its suppliers and customers. The Group aims at delivering high quality services to its customers and developing mutual trust and enhancing communication and commitment between the Group and its suppliers.

Summary financial information

A summary of the results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 91. This summary does not form part of the audited financial statements.

Closure of the Register of Members

For the purpose of determining shareholders' entitlement to attend and vote at the forthcoming annual general meeting of the Company, the register of members of the Company will be closed from Wednesday, 22 June 2016 to Friday, 24 June 2016 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for attending at the meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 21 June 2016.

Share Capital

Details of the movements in the share capital of the Company during the year ended 31 December 2015 are set out in note 21 to the financial statements.

Distributable Reserves

As at 31 December 2015, the Company had no reserve available for distribution in accordance with the provision of sections 291, 297 and 299 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong).

Reserves

Details of the movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity.

Charitable Contributions

During the year, the Group had made charitable contributions totaling HK$10,000.

Significant Investments, Acquisitions and Disposals

There were no significant investment held as at 31 December 2015, nor material acquisitions and disposals of subsidiaries during the year.

Investment Property and Property, Plant and Equipment

Details of the movements in investment property and property, plant and equipment of the Group during the year are set out in notes 15 and 14 to the financial statements, respectively.

Major Customers and Suppliers

During the year, the aggregate sales attributable to the Group's five largest customers comprised approximately 85% (2014: 87%) of the Group's total sales while the sales attributable to the Group's largest customer was approximately 35% (2014: 50%) of the Group's total sales.

The aggregate purchases during the year attributable to the Group's five largest suppliers comprised approximately 98% (2014: 99%) of the Group's total purchases while the purchases attributable to the Group's largest supplier was approximately 73% (2014: 89%) of the Group's total purchases.

Save as disclosed above, none of the Directors, their close associates or any shareholder, which to the knowledge of the Directors owned more than 5% of the Company's total number of shares in issue, had any interest in the share capital of any of the five largest customers or suppliers of the Group.

Directors

The Directors of the Company during the year and up to the date of this report were as follows:

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

Independent Non-executive Directors
Mr. Chan Ka Ling Edmond
Mr. Tang Cornor Kwok Kau
Ms. Tsang Wai Chun Marianna

In accordance with the Articles of Association of the Company, Ms. Chau Mei Fan shall retire from office at the forthcoming annual general meeting and, being eligible, will offer herself for re-election.

Directors of Subsidiaries

Other than the Directors named in the section headed "Biographical Details of Directors and Senior Management", the person who has served on the boards of the subsidiaries of the Company during the year and up to the date of this report is Mr. Huang Hongbin.

Permitted Indemnity Provision

The Company maintains directors' and officers' liability insurance, which gives appropriate cover for any legal actions against its Directors and officers of the Group. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) when this report prepared by the Directors is approved in accordance with section 391(1)(a) of the Companies Ordinance.

Directors' Service Contracts

Each of the Executive Directors has entered into a service agreement with the Company for a term of three years. Mr. Tan will receive a non-discretionary bonus, on a date as the Board may resolve, in the amount equivalent to the higher of (i) 8% on the portion which exceeds HK$5,000,000 of the Company's audited consolidated net profit before taxation (excluding such bonus) for the relevant financial year; or (ii) 1.2% on the portion which exceeds HK$50,000,000 of the Company's audited consolidated net asset value (excluding such bonus) for the relevant financial year.

Each of the Independent Non-Executive Directors has entered into a letter of appointment with the Company for a term of three years.

The Remuneration Committee will review and determine the remuneration and compensation packages of the Directors with reference to their experience, responsibilities, workload, time devoted to and performance of the Group. The Directors may also receive options to be granted under the share option scheme of the Company.

No Director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Directors' Interests in Contracts of Significance

Details of Directors' interest in contracts of significance in relation to the Group's business are set out in the section headed "Competition and Conflict of Interest" in this report.

Save as disclosed above, there was no contract of significance to which the Company or its subsidiaries, or its holding companies or any of its fellow subsidiaries was a party, and in which a Director was materially interested, whether directly or indirectly, subsisting during the year ended or as at 31 December 2015.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 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	Interest of a controlled corporation	153,510,000 (Note)	38.36%
Chau Mei Fan	Beneficial owner	1,409,365	0.35%

Note: As at 31 December 2015, Mr. Tan directly and indirectly owned 66.02% 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 controlling shareholder of the Company. By virtue of the SFO, Mr. Tan was deemed to have interest in the 153,260,000 shares of the Company held by GobiMin Silver Limited. He was granted by the Company 250,000 share options on 10 April 2015 pursuant to the Company's option scheme.

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

Name of Directors	Name of Associated Corporation	Nature of Interests	Number of Shares	% of Shareholding
Felipe Tan	Good Omen Investments Limited	Beneficial owner	100	100.00%
Felipe Tan	Belmont Holdings Group Limited	Interest of a controlled corporation & beneficial owner	8,633	84.60%
Felipe Tan	GobiMin Inc.	Interest of a controlled corporation & beneficial owner	34,689,000	66.02%
Felipe Tan	GobiMin Investments Limited	Interest of a controlled corporation	1,000	66.02%
Felipe Tan	GobiMin Silver Limited	Interest of a controlled corporation	1,000	66.02%

(c) Options to subscribe for ordinary shares of the Company

The Company adopted a share option scheme on 22 July 2014 (the "Scheme"). Under the Scheme, the Directors of the Company may, subject to and in accordance with the provisions of the Scheme and the GEM Listing Rules, at its discretion, grant options to any full-time or part-time employees, consultants or potential employees, consultants, executives or officers (including executive, non-executive and independent non-executive directors) of the Group, and any suppliers, customers, consultants, agents and advisers, who in the absolute discretion of the Board has contributed or will contribute to the Group (collectively "Eligible Participants").

The purpose of the Scheme is to provide incentive or reward for Eligible Participants (defined below) for their contribution or potential contribution to the Group.

The Company has granted 1,630,000 shares of the Company under the Scheme up to the date of this report. The total number of shares (the "Shares") of the Company available for issue under the Scheme was 38,370,000 Shares, representing 9.59% of total number of Shares in issue.

The Board shall not grant options to any Eligible Participant if the acceptance of those options would result in the total number of Shares issued and to be issued to that participant on exercise of his options during any 12-month period up to the offer date exceeding 1% of the total number of Shares then in issue.

There is no general requirement that an option must be held for any minimum period before it can be exercised. The period during which an option may be exercised in accordance with the terms of the Scheme shall be the period of time to be notified by the Board to each grantee, which the Board may in its absolute discretion determine, save that such period shall not be more than ten years commencing on the date upon which the vesting period as described in the respective grantee's offer document commences.

Upon acceptance of an option to subscribe for Shares granted pursuant to the Scheme, the Eligible Participant shall pay HK$1.00 to the Company by way of consideration for the grant. The option will be offered for acceptance for a period of 14 days from the date on which the option is granted.

The exercise price shall be determined by the Board but in any event shall be at least the highest of (i) the official closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date on which the option is offered (the "Offer Date"); and (ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date.

The Scheme shall be valid and effective for a period commencing from the date on which the Scheme was conditionally adopted by an ordinary resolution of the shareholder of the Company on 22 July 2014 and ending on the tenth anniversary of the date of listing of the Company's shares on GEM of the Stock Exchange on 4 August 2014 (both dates inclusive), after which no further option will be granted but the provisions of the Scheme shall remain in full force and effect in all other respects to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Scheme and options granted prior thereto but not yet exercised shall continue to be valid and exercisable in accordance with the Scheme. The remaining life of the Scheme as at 31 December 2015 was about 8.6 years.

Particulars of the Directors' interests in the Scheme were as follows:

				Number of Share Options and Underlying Shares					
Name of Directors	**Grant Date**	**Exercise Price per Share HK$**	**Exercise Period**	**Outstanding as at 1.1.2015**	**Granted**	**Exercised**	**Cancelled**	**Lapsed**	**Outstanding as at 31.12.2015**
Felipe Tan	10.4.2015	0.78	10.4.2015 - 9.4.2025	0	250,000	0	0	0	250,000
Chau Mei Fan	10.4.2015	0.78	10.4.2015 - 9.4.2025	0	200,000	0	0	0	200,000
Chan Ka Ling Edmond	10.4.2015	0.78	10.4.2015 - 9.4.2025	0	80,000	0	0	0	80,000
Tang Cornor Kwok Kau	10.4.2015	0.78	10.4.2015 - 9.4.2025	0	80,000	0	0	0	80,000
Tsang Wai Chun Marianna	10.4.2015	0.78	10.4.2015 - 9.4.2025	0	80,000	0	0	0	80,000
				0	690,000	0	0	0	690,000

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

Type of Participants	Grant Date	Exercise Price per Share HK$	Exercise Period	Number of Share Options and Underlying Shares: Outstanding as at 1.1.2015	Granted	Exercised	Cancelled	Lapsed	Outstanding as at 31.12.2015
Directors	10.4.2015	0.78	10.4.2015 - 9.4.2025	0	690,000	0	0	0	690,000
Employees	10.4.2015	0.78	10.4.2015 - 9.4.2025	0	740,000	(140,000)	0	0	600,000
Others	10.4.2015	0.78	10.4.2015 - 9.4.2025	0	200,000	(30,000)	0	(20,000)	150,000
				0	1,630,000	(170,000)	0	(20,000)	1,440,000

The fair value of equity-settled share options granted during the year was HK$0.319 per option, amounted to approximately HK$520,000 in aggregate (note 8). 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.

The closing price of the shares of the Company immediately before the share options granted on 10 April 2015 was HK$0.78.

The weighted average closing price of the shares immediately before the date on which the options were exercised by employees was approximately HK$1.04.

Short Positions

As at 31 December 2015, no short positions of Directors and 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 Rule.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 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 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
GobiMin Inc.	Interest of a controlled corporation	153,260,000	38.30%
GobiMin Investments Limited	Interest of a controlled corporation	153,260,000	38.30%
GobiMin Silver Limited	Beneficial owner	153,260,000	38.30%
Huang Hongbin	Interest of a controlled corporation	42,780,516 (Note 1)	10.69%
Hong Jin Group Limited	Beneficial owner	42,700,516	10.67%
Wong Kei Yuen	Interest of a controlled corporation	23,658,095 (Note 2)	5.91%
CHP 1855 Limited	Beneficial owner	23,658,095	5.91%

Note 1: These shares were held by Hong Jin Group Limited, which is wholly and beneficially owned by Mr. Huang Hongbin. By virtue of the SFO, Mr. Huang Hongbin was deemed to have interest in the 42,700,516 ordinary shares of the Company held by Hong Jin Group Limited. Mr. Huang Hongbin is a director of subsidiaries of the Company and was granted by the Company 80,000 shares options on 10 April 2015 pursuant to the Company's option scheme.

Note 2: These shares were 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 was deemed to have interest in the 23,658,095 ordinary shares of the Company held by CHP 1855 Limited.

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 December 2015.

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 66.02% equity interests in 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) approximately 25.93% equity interests in Timeless, which is principally engaged in the information technology business and mining business, and shares of which are listed on GEM, as at 31 December 2015.

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. is involved in upstream activities of exploration and mining which involve entirely different technologies, machinery and expertise. Accordingly, the 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 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. Please refer to note 26 to the financial statements for the transactions between the Group and (1) GobiMin Group and (2) Timeless and its subsidiaries.

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” to the Prospectus. Mr. Tan and the Controlling Shareholders as defined in the Prospectus have provided the Company with (i) an annual written confirmation in respect of compliance by each of them with the terms of the deed of non-competition; (ii) his/its consent to inclusion of such confirmation in this annual report; and (iii) all information as may reasonably be requested by the Company and/or the Company’s independent non-executive Directors for review and enforcement of the deed of non-competition.

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 year ended 31 December 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 31 December 2015 which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

Connected Transactions

None of the “Related party transactions” as disclosed in the note 26 to the financial statements for the year ended 31 December 2015 constituted discloseable non-exempted connected transaction or non-exempted continuing connected transaction under the GEM Listing Rules.

Management Contract

No contract for management and administration of the whole or any substantial part of the Group’s business subsisted at the end of the year or at any time during the year.

Purchase, Sale or Redemption of the Company’s Listed Securities

During the year under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

Corporate Governance

Principal corporate governance policies adopted by the Company are set out in the Corporate Governance Report on pages 13 to 22.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company had maintained the public float as required under the GEM Listing Rules.

Auditors

The account for the year ended 31 December 2015 were audited by BDO Limited whose term of office will expire upon the forthcoming annual general meeting. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint the auditor, BDO Limited.

By order of the directors

Loco Hong Kong Holdings Limited
Felipe Tan
Chairman
Hong Kong, 24 March 2016

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TO THE MEMBERS OF LOCO HONG KONG HOLDINGS LIMITED
(港銀控股有限公司)
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Loco Hong Kong Holdings Limited (the "Company") and its subsidiaries (hereafter referred to as the "Group") set out on pages 40 to 90, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants
Lee Ming Wai
Practising Certificate Number: P05682

Hong Kong, 24 March 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Revenue			
— Sales of metal		**1,071,221**	2,125,785
— Interest income from customers and suppliers		**4,379**	2,198
— Processing fee		**330**	—
— Order commission		**146**	157
		1,076,076	2,128,140
Trading gains on commodity forward contracts		**2,304**	22,752
Other income		**84**	108
Total income	7	**1,078,464**	2,151,000
Inventories consumed		**(1,063,969)**	(2,125,875)
Staff costs	8	**(8,423)**	(4,393)
Depreciation		**(980)**	(864)
Foreign exchange losses		**(4)**	(132)
Gain on disposal of property, plant and equipment		**775**	—
Listing expenses		**—**	(8,185)
Other operating expenses		**(5,844)**	(5,895)
Profit from operations		**19**	5,656
Finance costs	10	**(382)**	(1,578)
(Loss)/Profit before income tax expense	11	**(363)**	4,078
Income tax credit/(expense)	12	**50**	(2,121)
(Loss)/Profit and total comprehensive income for the year		**(313)**	1,957
(Loss)/Earnings per share			
— Basic	13	**HK cents (0.08)**	HK cents 0.74
— Diluted	13	**HK cents (0.08)**	HK cents 0.74

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment	14	**3,695**	3,119
Investment property	15	**–**	1,927
		3,695	5,046
Current assets			
Inventories	16	**40,628**	41,778
Accounts receivable, other receivables, deposits and prepayments	17	**28,925**	27,927
Derivative financial assets	18	**218**	2
Tax recoverable		**2,208**	–
Cash and cash equivalents	19	**35,958**	37,314
		107,937	107,021
Current liabilities			
Accounts payable, accruals and deposits received	20	**22,076**	22,524
Derivative financial liabilities	18	**1,091**	630
Tax payable		**–**	787
		23,167	23,941
Net current assets		**84,770**	83,080
Total assets less current liabilities/Net assets		**88,465**	88,126
Capital and reserves			
Share capital	21	**85,830**	85,643
Reserves		**2,635**	2,483
Total equity		**88,465**	88,126

On behalf of the directors

Felipe TAN
Director

CHAU Mei Fan
Director

Hong Kong, 24 March 2016

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Notes	Share capital HK$'000	Merger reserve* HK$'000	Share option reserve* HK$'000	Retained profits* HK$'000	Total HK$'000
At 1 January 2014		15,000	—	—	8,383	23,383
Profit and total comprehensive income for the year		—	—	—	1,957	1,957
Transactions with owners:						
Capitalisation for issue of shares	21(g)	5,000	—	—	(5,000)	—
Dividend declared during the year	22	—	—	—	(1,500)	(1,500)
Arising from Reorganisation	21(c)	1,357	(1,357)	—	—	—
Loan capitalisation	21(e)	27,715	—	—	—	27,715
Issue of shares by placing	21(f)	36,571	—	—	—	36,571
		70,643	(1,357)	—	(6,500)	62,786
At 31 December 2014 and 1 January 2015		**85,643**	**(1,357)**	**—**	**3,840**	**88,126**
Loss and total comprehensive income for the year		**—**	**—**	**—**	**(313)**	**(313)**
Transactions with owners:						
Recognition of equity settled share-based payments	23(b)	**—**	**—**	**520**	**—**	**520**
Lapse of share options	23(b)	**—**	**—**	**(6)**	**6**	**—**
Issue of shares upon exercise of share options	21	**187**	**—**	**(55)**	**—**	**132**
		187	**—**	**459**	**6**	**652**
At 31 December 2015		**85,830**	**(1,357)**	**459**	**3,533**	**88,465**

* The total of these balances at the end of the reporting period represents "Reserves" in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 HK$'000	2014 HK$'000
Operating activities		
Cash receipts from customers	**1,087,449**	2,135,046
Interest received from customers and suppliers	**4,379**	2,198
Receipt of other income	**224**	260
(Cash paid)/Cash receipts regarding derivative financial instruments	**(15,146)**	40,735
Cash paid to suppliers	**(1,062,819)**	(2,076,284)
Cash paid to directors and employees	**(6,970)**	(3,825)
Cash paid for other operating activities	**(6,705)**	(5,524)
Cash paid for listing expenses	**—**	(8,185)
Cash generated from operation	**412**	84,421
Hong Kong profits tax paid	**(2,945)**	(1,337)
Net cash (used in)/generated from operating activities	**(2,533)**	83,084
Investing activities		
Purchase of property, plant and equipment	**(1,331)**	(394)
Disposal of property, plant and equipment	**2,751**	—
Interest received from banks	**6**	5
Net cash generated from/(used in) investing activities	**1,426**	(389)
Financing activities		
Interest paid on bank and other borrowings	**(235)**	(1,412)
Interest paid on a finance lease	**—**	(1)
Bank charges paid	**(147)**	(181)
Dividend paid	**—**	(1,500)
Proceeds from issue of shares	**133**	36,571
Repayment to a related company	**—**	(62,529)
New bank loans raised	**67,988**	13,209
Repayment of bank loans	**(67,988)**	(33,418)
Repayment of obligation under a finance lease	**—**	(60)
Net cash used in financing activities	**(249)**	(49,321)
Net (decrease)/increase in cash and cash equivalents	**(1,356)**	33,374
Cash and cash equivalents at beginning of year	**37,314**	3,940
Cash and cash equivalents at end of year	**35,958**	37,314
Analysis of the balances of cash and cash equivalents		
Cash at banks and in hand	**35,958**	37,314

1. GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

Loco Hong Kong Holdings Limited (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 Company and its subsidiaries (collectively the "Group") are 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 Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company 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. Details of the Reorganisation are set out in the section headed "History, Reorganisation and Corporate Structure" to the prospectus of the Company dated 29 July 2014.

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, the 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.

Accordingly, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the year ended 31 December 2014 have included the results, changes in equity and cash flows of the companies now comprising the Group from the earliest date presented or since their respective dates of incorporation, whichever was shorter, as if the current group structure had been in existence throughout the year. The consolidated statement of financial position of the Group as of 31 December 2014 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates. No adjustment is made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

The financial statements for the year ended 31 December 2015 were approved and authorised for issue by the board of directors on 24 March 2016.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs — effective 1 January 2015

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle

The adoption of these amendments has no material impact on the Group's financial statements.

(b) New/revised HKFRSs issued but not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle[1]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]
HKFRS 9 (2014)	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019

Amendments to HKAS 1 — Disclosure Initiative

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(b) New/revised HKFRSs issued but not yet effective (Continued)

Amendments to HKAS 16 and HKAS 38 — Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

Amendments to HKAS 27 — Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

HKFRS 9 (2014) — Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit and loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(b) New/revised HKFRSs issued but not yet effective (Continued)

HKFRS 9 (2014) — Financial Instruments (Continued)

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 15 — Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

HKFRS 16 — Leases

The new standard specifies how an entity to recognise, measure, present and disclose leases. HKFRS 16 requires lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance with HKFRS 16's approach to lessor accounting substantially unchanged from its predecessor HKAS 17.

The Group is in the process of making an assessment of the potential impact of these pronouncements. The directors are not yet in a position to state whether the application of these new pronouncement will have material impact on the Group's financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(c) New Companies Ordinance provisions relating to the preparation of financial statements

The provisions of the new Companies Ordinance (Chapter 622 of the laws of Hong Kong), in relation to the preparation of financial statements apply to the Company in this financial year.

The directors consider that there is no impact on the Group's financial position or performance, however the new Companies Ordinance (Chapter 622 of the laws of Hong Kong), impacts on the presentation and disclosures in the consolidated financial statements. For example, the statement of financial position of the Company is now presented in the notes to the financial statements rather than as a primary statement and related notes to the statement of financial position of the Company are generally no longer presented.

3. BASIS OF PREPARATION

(a) Basis of compliance

The financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") and the provisions of the Hong Kong Companies Ordinance which concern the preparation of financial statements. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

(b) Basis of measurement

The financial statements have been prepared under the historical cost basis except for certain inventories and financial instruments, which are measured at fair values as explained in the accounting policies set out below.

(c) Functional and presentation currency

The functional currency of the Company and its major subsidiaries is United States dollar ("US$"). However, the financial statements are presented in Hong Kong dollar ("HK$") instead of its functional currency as the directors consider that HK$ is a more appropriate presentation currency in view of its principal place of financing activities.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee; exposure, or rights, to variable returns from the investee; and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are carried at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Property, plant and equipment (Continued)

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Property	Over the shorter of 25 years and the remaining lease terms
Equipment and computer software	4 years
Leasehold improvements	Over the shorter of 3 years and the remaining lease terms
Motor vehicles	4 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount (note 4(m)).

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(d) Investment property

Investment property is property held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property is stated at cost less accumulated depreciation and impairment losses (note 4(m)), if any. Depreciation is charged so as to write off the cost of investment property net of expected residual value over the estimated useful live using straight-line method. The useful live, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

The Group as lessee

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

The land and building elements of property leases are considered separately for the purposes of lease classification. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of land and buildings as a finance lease of property, plant and equipment.

(f) Financial instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial instruments (Continued)

(i) Financial assets (Continued)

Financial assets at fair value through profit or loss

These assets include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporated other types of contractual and monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; or
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

An impairment loss on loan and receivables is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(iii) Financial liabilities

The Group classifies its financial liabilities depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including accounts payable, accruals, bank loans and obligations under a finance lease are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial instruments (Continued)

(iii) Financial liabilities (Continued)

Financial liabilities at amortised cost (Continued)

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

The Companies Ordinance (Chapter 622 of the laws of Hong Kong), came into operation on 3 March 2014. Under this Ordinance, shares of the Company do not have a nominal value. Consideration received or receivable for the issue of shares on or after 3 March 2014 is credited to share capital. Commissions and expenses are allowed to be deducted from share capital under section 148 and section 149 of the Ordinance.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Revenue and other income recognition

Revenue from sales of goods is recognised on transfer of risks and rewards of ownership, which is at the time of delivery and the title is passed to customer.

Rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

Commission income is recognised when the right to receive the commission is established.

Processing income is recognised when services are provided.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(i) Income taxes

Income taxes comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Income taxes (Continued)

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they related to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(j) Inventories

Inventories mainly represent silver, tin and gold ("Commodity Inventories") purchased for the purpose of selling them in the near future. As a commodity trader, the Group measures its Commodity Inventories at fair value less costs to sell. Commodity Inventories are initially recognised at cost and subsequently measured at fair value less costs to sell. Changes in fair value are recognised in the profit or loss in the period in which they arise.

Inventories other than Commodity Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(k) Employee benefits

(i) Defined contribution retirement plan

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under Mandatory Provident Fund Scheme Ordinance for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employee's relevant income and are charged to the profit and loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administrated fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, if any, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Employee benefits (Continued)

(ii) Annual leave provision

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

(l) Foreign currency

Transactions entered into by the Group in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statement, the assets and liabilities of the Company and certain subsidiaries are translated into the presentation currency of the Group (i.e. HK$) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in exchange reserve in equity.

(m) Impairment of other assets

At the end of each reporting period, the Group reviews the carrying amount of its property, plant and equipment and investment property to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Impairment of other assets (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Value in use is based on the estimated future cash flows expected to be derived from the assets or cash generating unit, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

(n) Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(o) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period with a corresponding increase in the employee share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

Where share options are granted to persons other than employees and others providing similar services, the fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition as assets. A corresponding increase in share option reserve is recognised.

When the option is exercised, the relevant amount recognised in the share option reserve is transferred to share capital. When the option lapses, the relevant amount recognised in the share option reserve is released directly to retained profits.

(q) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Related parties (Continued)

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATES UNCERTAINTY

In the application of the Group's accounting policies, the directors of the Company are required to make judgment, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In addition to information disclosed elsewhere in these financial statements, other key sources of estimation uncertainty that have a significant risk of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial year are as follows:

(i) Impairment of property, plant and equipment and investment property

Property, plant and equipment and investment property are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgments and estimates.

Management judgment is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to profit or loss.

5. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATES UNCERTAINTY (Continued)

(ii) Useful lives of property, plant and equipment and investment property

The Group's management determines the estimated useful lives, and related depreciation charges for its property, plant and equipment and investment property. The estimates are based on the historical experience of the actual useful lives of those assets of similar nature and functions. Management will increase the depreciation where useful lives are less than previously estimated lives. It will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore affect the depreciation charges in future periods.

(iii) Impairment of accounts receivable

Recoverability of the accounts receivable are reviewed by management based on the receivables' ageing characteristics, the current creditworthiness and past collection history of each customer. Judgment is required in assessing the ultimate realisation of these receivables, and the financial conditions of the debtors may undergo adverse changes since the last management evaluation. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional provision may be required in future accounting periods.

6. SEGMENT INFORMATION

(a) Reportable segments

The information reported to the executive directors, who are the chief operating decision maker 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. The executive directors allocate resources and assess performance on an aggregated basis.

6. SEGMENT INFORMATION (Continued)

(b) Geographical information

The Company is an investment holding company incorporated in Hong Kong and the principal place of the Group's operations is Hong Kong. Accordingly, the management determines that the Group is domiciled in Hong Kong.

The Group's revenue from customers and information about its non-current assets by geographical location are detailed below:

	Revenue from customers*	
	2015	2014
	HK$'000	HK$'000
Singapore	**623,061**	1,058,194
Hong Kong	**242,849**	736,414
Australia	**103,862**	69,677
Japan	**73,555**	78,388
United Kingdom	**25,137**	136,472
China	**7,612**	—
Dubai	**—**	48,995
	1,076,076	2,128,140

* Based on location of customers

	Non-current assets	
	2015	2014
	HK$'000	HK$'000
Hong Kong	**3,695**	5,046

6. SEGMENT INFORMATION (Continued)

(c) Information about major customers

Revenue from major customers, each of them accounted for 10% or more of the Group's revenue, are set out below:

	2015 HK$'000	2014 HK$'000
Customer A	**370,197**	N/A
Customer B	**252,864**	1,058,194
Customer C	**N/A**	322,474
Customer D	**N/A**	260,638

7. INCOME

The Group is principally engaged in metal and commodity forward contracts trading.

Revenue mainly comprises net invoiced value of Commodity Inventories sold by the Group as well as interest income generated from customers and suppliers. The Group enters into sale and purchase agreements for Commodity Inventories with certain customers and suppliers and under the terms of those agreements, the selling or purchase price of silver is determined based on the market silver price on the date subsequently specified by the customer or supplier (the "Forward Arrangements"). Interest is charged to the customers and suppliers of those agreements during the period of Forward Arrangements.

Trading gains or losses from commodity forward contracts mainly comprise the gains or losses arising from the Forward Arrangements with customers and suppliers as mentioned above and the gains or losses arising from the forward contracts entered into with commodity traders for hedging commodity price.

8. STAFF COSTS

	2015 HK$'000	2014 HK$'000
Staff costs (including directors' emoluments) comprise:		
Salaries, allowances and benefits	7,700	4,241
Contributions to defined contribution retirement plan	203	152
Equity settled share-based payments (note 23(b))	520	—
	8,423	4,393

9. DIRECTORS' EMOLUMENTS AND HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

Directors' emoluments disclosed pursuant to section 383 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Chapter 622G of the laws of Hong Kong) is as follows:

Year ended 31 December 2015

	Fees HK$'000	Performance related incentive payments (Note a) HK$'000	Share-based payment (Note b) HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Executive directors							
Ms. Chau Mei Fan	–	–	64	353	66	17	500
Mr. Felipe Tan	–	467	80	–	–	18	565
Total	–	467	144	353	66	35	1,065
Independent non-executive directors							
Mr. Chan Ka Ling Edmond	134	–	25	–	–	–	159
Ms. Tsang Wai Chun Marianna	134	–	25	–	–	–	159
Mr. Tang Cornor Kwok Kau	134	–	25	–	–	–	159
Total	402	–	75	–	–	–	477

9. DIRECTORS' EMOLUMENTS AND HIGHEST PAID INDIVIDUALS (Continued)

(a) Directors' emoluments (Continued)

Year ended 31 December 2014

	Fees HK$'000	Performance related incentive payments (Note a) HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Executive directors						
Ms. Chau Mei Fan	–	–	304	85	16	405
Mr. Felipe Tan	–	463	–	–	8	471
Total	–	463	304	85	24	876
Independent non-executive directors						
Mr. Chan Ka Ling Edmond	54	–	–	–	–	54
Ms. Tsang Wai Chun Marianna	54	–	–	–	–	54
Mr. Tang Cornor Kwok Kau	54	–	–	–	–	54
Total	162	–	–	–	–	162

Note:

(a) The performance incentive payment of Mr. Felipe Tan is determined as the higher of (i) a percentage on the portion which exceeds HK$5,000,000 of the Group's audited net profit before taxation (excluding such payments) for relevant year, or (ii) a percentage on the portion which exceeds HK$50,000,000 of the Group's audited net asset value (excluding such payments) at the end of the relevant year.

(b) These amounts represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share option is measured according to the accounting policies for share-based payments as set out in note 4(p). Further details of the options granted are set out in note 23.

9. DIRECTORS' EMOLUMENTS AND HIGHEST PAID INDIVIDUALS
(Continued)

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, two (2014: two) was director of the Company whose emoluments are included in the analysis presented above. The emoluments of the remaining three (2014: three) individuals were as follows:

	2015 HK$'000	2014 HK$'000
Wages and salaries	**1,482**	1,262
Contribution to defined contribution retirement plan	**50**	46
Share-based payment	**99**	—
	1,631	1,308

The emoluments of each of the above non-director highest paid individuals were all within the band of nil to HK$1,000,000 for the years ended 31 December 2015 and 2014.

During the years ended 31 December 2015 and 2014, no emoluments were paid by the Group to the directors or highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors waived or agreed to waive any emoluments during the years ended 31 December 2015 and 2014.

(c) Senior management

Emoluments paid or payable to members of senior management who are not directors were within the following band:

	2015 No. of individuals	2014 No. of individuals
Nil to HK$1,000,000	**3**	3

10. FINANCE COSTS

	2015 HK$'000	2014 HK$'000
Interests on bank loans	235	398
Interests on amounts due to a shareholder and a related company (note 26(a))	—	998
Total interest expenses	235	1,396
Bank charges	147	181
Interest on a finance lease	—	1
	382	1,578

11. (LOSS)/PROFIT BEFORE INCOME TAX EXPENSE

(Loss)/profit before income tax expense is arrived at after charging/(crediting):

	2015 HK$'000	2014 HK$'000
Inventories consumed		
— Inventories consumed	1,064,801	2,126,115
— Fair value gain on inventories	(832)	(240)
Auditor's remuneration	530	520
Minimum lease payments under operating leases (note (a))	1,075	952
Depreciation of property, plant and equipment	932	782
Depreciation of investment property	48	82
Net rental income from investment property (note (b))	(34)	(50)
Interest income	(4,385)	(2,203)

Notes:

(a) Included in the balances was office rental paid under the tenancy agreement entered into by the Group with a related company amounting to approximately HK$461,000. For the year ended 31 December 2014, the balance included office rental expenses shared by the Group in respect of the tenancy agreement held under the non-cancellable lease entered into by a related company amounting to approximately HK$107,000 and office rental paid under the tenancy agreement entered into by the Group with a related company amounting to approximately HK$245,000 (note 26(a)).

(b) The direct outgoing expenses from the investment property during the years were insignificant.

12. INCOME TAX (CREDIT)/EXPENSE

The amount of taxation in the consolidated statement of comprehensive income represents:

	2015 HK$'000	2014 HK$'000
Current tax — Hong Kong Profits Tax		
— charge for the year	—	2,218
— over-provision in respect of prior years	(50)	(97)
Income tax (credit)/expense	(50)	2,121

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 for the year.

The income tax expense can be reconciled to the (loss)/profit before income tax expense per the consolidated statement of comprehensive income as follows:

	2015 HK$'000	2014 HK$'000
(Loss)/Profit before income tax expense	(363)	4,078
Tax calculated at Hong Kong Profits Tax rate of 16.5% (2014: 16.5%)	(60)	673
Tax effect of revenue not taxable for tax purposes	(92)	(1)
Tax effect of expenses not deductible for tax purposes	5	1,358
Tax effect of tax losses not recognised	205	129
Utilisation of tax losses previous not recognised	(22)	—
Tax effect of other temporary differences not recognised	(36)	47
Over-provision in respect of prior years	(50)	(97)
Others	—	12
Income tax (credit)/expense	(50)	2,121

As at 31 December 2015, the Group had estimated unused tax losses of approximately HK$1,949,000 (2014: HK$842,000) which are available for offset against future profits. No deferred tax asset has been recognised in respect of the estimated tax losses due to unpredictability of future profit streams. These tax losses may be carried forward indefinitely.

The Group has no significant unrecognised deferred tax liabilities as at 31 December 2015 and 2014.

13. (LOSS)/EARNINGS PER SHARE

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

(Loss)/Earnings	**2015 HK$'000**	2014 HK$'000
(Loss)/Earnings for the purpose of basic (loss)/earnings per share	**(313)**	1,957
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**400,097,342**	264,015,318

For the year ended 31 December 2015, the computation of diluted loss per share does not assume the exercise of the Company's outstanding share options since their exercise would result in decrease in loss per share for the year. Accordingly, the basic and diluted loss per share are the same.

For the year ended 31 December 2014, the basic and diluted earnings per share are the same as the Company had no potential dilutive ordinary shares issued.

14. PROPERTY, PLANT AND EQUIPMENT

	Property for own use carried at cost HK$'000	Equipment and computer software HK$'000	Leasehold improvements HK$'000	Motor vehicle HK$'000	Total HK$'000
Cost					
At 1 January 2014	2,050	1,568	829	334	4,781
Additions	–	394	–	–	394
Written off	–	–	(200)	–	(200)
At 31 December 2014 and 1 January 2015	**2,050**	**1,962**	**629**	**334**	**4,975**
Additions	**–**	**1,382**	**223**	**–**	**1,605**
Transfer from investment property (note 15)	**2,050**	**–**	**–**	**–**	**2,050**
Disposal	**(2,050)**	**–**	**–**	**(334)**	**(2,384)**
At 31 December 2015	**2,050**	**3,344**	**852**	**–**	**6,246**
Accumulated depreciation					
At 1 January 2014	41	765	287	181	1,274
Charge for the year	82	407	210	83	782
Written off	–	–	(200)	–	(200)
At 31 December 2014 and 1 January 2015	**123**	**1,172**	**297**	**264**	**1,856**
Transfer from investment property (note 15)	**171**	**–**	**–**	**–**	**171**
Charge for the year	**55**	**479**	**398**	**–**	**932**
Written back on disposal	**(144)**	**–**	**–**	**(264)**	**(408)**
At 31 December 2015	**205**	**1,651**	**695**	**–**	**2,551**
Net carrying value					
At 31 December 2015	**1,845**	**1,693**	**157**	**–**	**3,695**
At 31 December 2014	1,927	790	332	70	3,119

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 31 December 2015, the property represents the carpark transferred from investment property (note 15).

As at 31 December 2014, the property represents a carpark located in Hong Kong which is held under long-term lease. It was disposed during the year ended 31 December 2015.

15. INVESTMENT PROPERTY

	HK$'000
Cost	
At 1 January 2014 and 31 December 2014	2,050
Transfer to property, plant and equipment	(2,050)
At 31 December 2015	–
Accumulated depreciation	
At 1 January 2014	41
Charge for the year	82
At 31 December 2014 and 1 January 2015	**123**
Charge for the year	**48**
Transfer to property, plant and equipment	**(171)**
At 31 December 2015	–
Net carrying value	
At 31 December 2015	–
At 31 December 2014	1,927

Investment property represents a carpark located in Hong Kong which is held under long-term lease. It is depreciated on a straight-line basis over the shorter of the term of the leases and the estimated useful life of 25 years.

During the year ended 31 December 2015, the carpark became owner-occupied and was transferred to property, plant and equipment (note 14).

15. INVESTMENT PROPERTY (Continued)

As at 31 December 2014, the estimated fair value of the investment property was approximately HK$2,173,000. The fair value was determined by the directors of the Company using market comparable approach by making reference to market evidence of the actual transaction prices for similar properties in the same or nearby locations and in similar conditions. The fair value of the investment property is a level 2 non-recurring fair value measurement. The fair value is based on the property's highest and best use, which does not differ from their actual use.

16. INVENTORIES

	2015 HK$'000	2014 HK$'000
Silver	27,094	40,793
Gold	—	887
Tin	13,416	—
Low value consumables	118	98
	40,628	41,778

The fair values of the Commodity Inventories were determined by the Company by reference to the price available in active market including London Bullion Market Association.

The fair value of the Commodity Inventories is a level 2 recurring fair value measurement. The fair value measurement is based on the inventories' highest and best use, which does not differ from their actual use.

17. ACCOUNTS RECEIVABLE, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2015 HK$'000	2014 HK$'000
Accounts receivable from customers (note (a))	–	15,898
Margin deposits for commodity forward contracts (note (c))	28,365	11,312
Deposits and prepayments	560	443
Deposit paid to a related party (note (b))	–	274
	28,925	27,927

The ageing analysis of accounts receivable from customers, based on invoice date, at the end of the reporting period is as follows:

	2015 HK$'000	2014 HK$'000
Current	–	15,898

The credit period granted to customers ranged from 0 to 2 days.

Notes:

(a) As at 31 December 2014, the accounts receivable was neither past due nor impaired and was related to a customer for whom there was no recent history of default.

(b) As at 31 December 2014, the Group paid a deposit of approximately HK$274,000 to Timeless Software Limited ("Timeless") for the development of a computer software system at a cost of HK$342,000. During the year ended 31 December 2015, the system was delivered and the deposit was recognised as property, plant and equipment (note 26(a)).

(c) As mentioned in note 7 to the financial statements, for trading purposes, the Group has to enter into Forward Arrangements with customers and suppliers as well as forward contracts with commodity traders. The margin deposits at the end of the reporting period mainly represent deposits placed with commodity traders for entering into forward contracts, which the Group can freely withdraw.

18. DERIVATIVE FINANCIAL INSTRUMENTS

	2015 HK$'000	2014 HK$'000
Derivative financial assets:		
Commodity forward contracts	**218**	2
Derivative financial liabilities:		
Commodity forward contracts	**1,091**	630

The Group enters into forward contracts with commodity traders to hedge metal price exposures. Such commodity forward contracts do not qualify as hedging instruments and are classified as financial instruments at fair value through profit or loss. The notional principal amounts of the outstanding metal forward contracts as at 31 December 2015 were approximately US$23,023,000 (2014: US$11,453,000).

The fair values of the forward contracts are determined with reference to the price available in active markets matching the maturity of the contracts.

19. CASH AND CASH EQUIVALENTS

	2015 HK$'000	2014 HK$'000
Cash at banks and in hand	**35,958**	37,314

The analysis of cash and bank balances denominated in foreign currencies at the end of reporting period is shown as follows:

	2015 HK$'000	2014 HK$'000
Renminbi	**76**	23
United States dollars	**34,416**	29,621
	34,492	29,644

Cash at banks earns interest at floating rate based on daily bank deposit rates.

20. ACCOUNTS PAYABLE, ACCRUALS AND DEPOSITS RECEIVED

	2015 HK$'000	2014 HK$'000
Accruals	2,482	1,597
Trade deposits received	—	690
Margin deposits for commodity forward contracts	19,594	20,237
	22,076	22,524

In general, credit period is not granted by suppliers and the credit term set by most suppliers is cash on delivery.

As mentioned in note 7 to the financial statements, for trading purposes, the Group has to enter into Forward Arrangements with customers and suppliers as well as commodity traders. The margin deposits at the end of the reporting period mainly represent deposits received from suppliers and customers for entering into Forward Arrangements.

21. SHARE CAPITAL

	2015 Number of Shares	2015 HK$'000	2014 Number of Shares	2014 HK$'000
Authorised:				
At beginning of year	—	—	—	—
Upon incorporation (note (a))	—	—	10,000	10
The concept of authorised share capital was abolished on 3 March 2014 (note (b))	—	—	(10,000)	(10)
At end of year	—	—	—	—
Issued and fully paid:				
At beginning of year	400,000,000	85,643	—	—
Upon incorporation (note (a))	—	—	1	—
Issue of shares pursuant to the Reorganisation (note (c))	—	—	19,999,999	21,357
Issue of bonus shares (note (d))	—	—	149,141,978	—
Loan capitalisation (note (e))	—	—	110,858,022	27,715
Issue of shares by placing (note (f))	—	—	120,000,000	36,571
Share option exercised (note 23(b))	170,000	187	—	—
At end of year	400,170,000	85,830	400,000,000	85,643

21. SHARE CAPITAL (Continued)

Notes:

(a) The Company was incorporated in Hong Kong on 14 January 2014 with authorised share capital of 10,000 ordinary shares of HK$1 each. Upon incorporation, 1 ordinary share was allotted and issued at HK$1.

(b) The Companies Ordinance (Chapter 622 of the laws of Hong Kong) came into effect on 3 March 2014. Under section 135 of this new Ordinance, shares in a company do not have a nominal value. Accordingly, the concept of authorised share capital is abolished. The no nominal value regime applies to the Company.

(c) On 23 July 2014, in pursuant to the Reorganisation (note 1), the Company issued 19,999,999 ordinary shares in aggregate at the consideration of approximately HK$21,357,000 to the then shareholders of China Precision Material Limited ("CPM") who then transferred their respective entire shareholding in CPM to Loco HK Limited ("Loco BVI"), the direct wholly owned subsidiary of the Company. The share capital of CPM on that day amounted to HK$20,000,000, resulting in difference of approximately HK$1,357,000 which is dealt with in merger reserve.

(d) On 25 July 2014, 149,141,978 additional ordinary shares were allotted and issued by way of bonus to the shareholders of the Company.

(e) On 4 August 2014, the Company allotted and issued 110,858,022 ordinary shares to a shareholder, GobiMin Silver Limited ("GobiMin Silver"), in full satisfaction of a loan in the amount of approximately HK$27,715,000 due by the Group to Fine Asia Development Limited ("Fine Asia"), a related company.

(f) The Company's shares were listed on the GEM of the Stock Exchange and 120,000,000 ordinary shares were issued at HK$0.36 per share on 5 August 2014. After deducting related listing expenses, approximately HK$36,571,000 was credited to share capital.

(g) On 24 January 2014, CPM increased its share capital from HK$15,000,000 to HK$20,000,000 by the allotment of 5,000,000 ordinary shares of HK$1 each to the then shareholders which was settled by the capitalisation of CPM's retained profits amounting to HK$5,000,000.

22. DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation. Prior to the Reorganisation, CPM declared and paid interim dividends to the shareholders as follows:

	2015 **HK$'000**	2014 HK$'000
Interim dividend	**–**	1,500

23. SHARE-BASED PAYMENT

The Company operates an equity-settled share based compensation plan for the purpose of providing incentive or reward to eligible participants for their contribution or potential contribution to the Group. The vesting and exercise period of the options shall be determined by the board of directors and the exercise period shall not be more than 10 years from the date the options are vested.

(a) The terms and conditions of the options granted during the year are as follows:

Category of grantee	Date of grant	Exercise Period	Exercise price per share	Number of options granted	Number of options outstanding at 31 December 2015
Directors	10 April 2015	10 April 2015 to 9 April 2025	HK$0.78	690,000	690,000
Employees	10 April 2015	10 April 2015 to 9 April 2025	HK$0.78	740,000	600,000
Others	10 April 2015	10 April 2015 to 9 April 2025	HK$0.78	200,000	150,000
				1,630,000	1,440,000

(b) The movements of number of share options and weighted average exercise price of share options are as follows:

	Weighted average exercise price 2015	Number of options 2015
Outstanding at beginning of the year	—	—
Granted during the year	HK$0.780	1,630,000
Lapsed during the year	HK$0.780	(20,000)
Exercised during the year	HK$0.780	(170,000)
Outstanding at the end of the year	HK$0.780	1,440,000

The weighted average remaining contractual life was 9.25 years.

The weighted average share price at the date of exercise of options exercised during the year was HK$1.04.

23. SHARE-BASED PAYMENT (Continued)

(b) The movements of number of share options and weighted average exercise price of share options are as follows: (Continued)

The fair value of equity-settled share options granted during the year was HK$0.319 per option, amounted to approximately HK$520,000 in aggregate (note 8). 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.

24. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

AS AT 31 DECEMBER 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current assets			
Investment in a subsidiary		**21,357**	21,357
Current assets			
Amount due from subsidiaries		**56,509**	55,989
Deposits and prepayments		**213**	140
Cash and cash equivalents		**231**	271
		56,953	56,400
Current liabilities			
Accruals		**1,482**	1,001
Net current assets		**55,471**	55,399
Net assets		**76,828**	76,756
Capital and reserves			
Share capital	21	**85,830**	85,643
Accumulated losses		**(9,461)**	(8,887)
Share option reserve		**459**	—
Total equity		**76,828**	76,756

On behalf of the directors

Felipe TAN
Director

CHAU Mei Fan
Director

Hong Kong, 24 March 2016

25. INTERESTS IN SUBSIDIARIES

Details of subsidiaries as at 31 December 2015 are as follows:

Name of subsidiary	Form of business structure	Place of incorporation	Description of share held	Percentage of ownership interests Directly	Percentage of ownership interests Indirectly	Place of operation and principal activities
Loco BVI	Corporation	British Virgin Islands	Ordinary	100%	–	Investment holding in Hong Kong
CPM	Corporation	Hong Kong	Ordinary	–	100%	Metal and commodity forward contracts trading in Hong Kong
CPM Silver Limited	Corporation	Hong Kong	Ordinary	–	100%	Silver processing and property holding in Hong Kong
United Bridge Limited	Corporation	Hong Kong	Ordinary	–	100%	Dormant

None of the subsidiaries had issued any debt securities at the end of the year.

26. RELATED PARTY TRANSACTIONS

Saved as disclosed elsewhere in this consolidated financial statements, the Group has the following significant related party transactions.

(a) During the year, the Group entered into the following transactions with related parties:

Name	Type of transaction	2015 HK$'000	2014 HK$'000
Fine Asia	Share of staff cost charged to the Group	1,684	–
Fine Asia	Interest charged to the Group (note 10)	–	987
Fine Asia	Share of office rental and other related expenses charged to the Group (note 11)	–	135
GobiMin Mineral Limited ("GobiMin Mineral")	Office rental and other related expenses charged to the Group (note 11)	584	300
GobiMin Silver	Interest charged to the Group (note 10)	–	11
Timeless	Development of software system for the Group (note 17(b))	342	–
Three Principles Computer Service Co. Ltd. ("Three Principles")	Data hosting services charged to the Group	10	–
Well Charm Group Limited ("Well Charm")	Purchase of gold by the Group	884	–
Well Charm	Sales of gold by the Group	1,775	–
Well Charm	Interest charged by the Group	1	–

26. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

Fine Asia and GobiMin Mineral are related companies in which Mr. Felipe Tan ("Mr. Tan"), one of the Company's directors, acts as director and has indirect equity interest.

GobiMin Silver is a shareholder of the Company.

Timeless is a related company in which Mr. Tan and Ms. Tsang Wai Chun Marianna, also one of the Company's directors, act as directors and Mr. Tan has indirect equity interest. Three Principles is a wholly-owned subsidiary of Timeless.

Well Charm is a related company in which Mr. Tan acts as director and has direct equity interest.

(b) Key management includes members of the board of directors and other members of key management of the Group. Their emoluments are set out in note 9.

(c) At 31 December 2014, Mr. Tan had provided personal guarantee to a bank in inspect of general facilities granted to the Group to the extent of US$10,000,000. During the year ended 31 December 2015, the facilities have been terminated and the personal guarantee was released.

27. OPERATING LEASE

Operating leases — lessor

The Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of the leasehold properties which are receivables as follows:

	2015 **HK$'000**	2014 HK$'000
Within one year	**–**	34

The Group leases out its investment property under operating lease arrangement which runs for initial period of one year. The terms of the lease require the tenant to pay security deposits.

27. OPERATING LEASE (Continued)

Operating leases — lessee

The Group leases a workshop and office under operating lease arrangement. Each of the lease runs for an initial period of three years. The total future minimum lease payments under the leases are due as follows:

	2015 HK$'000	2014 HK$'000
Within one year	213	627
Later than one year and not later than five years	—	175
	213	802

28. CAPITAL MANAGEMENT

The Group's primary objective when managing capital is to safeguard the Group's ability to continue as a going concern and maximising the return to stakeholders. The Group's capital structure is regularly reviewed and managed by the directors. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Group. The Group is not subject to externally imposed capital requirements. To maintain or adjust capital structure, the Group may adjust dividend payment to shareholders or issue new shares.

The Group defines "capital" as including all components of equity less unaccrued proposed dividend. Trading balances that arise as a result of trading transactions with Group companies are not regarded by the directors as capital. The capital of the Group at the end of reporting date was approximately HK$88,465,000 (2014: HK$88,126,000).

29. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amount of financial assets and liabilities as defined in note 4(f):

	2015 HK$'000	2014 HK$'000
Financial assets		
Financial assets at fair value through profit or loss held for trading:		
— Commodity forward contracts	218	2
Loans and receivables	64,539	65,241
Financial liabilities		
Financial liabilities at fair value through profit or loss held for trading:		
— Commodity forward contracts	1,091	630
Financial liabilities measured at amortised cost:		
— Accounts payable and accruals	22,076	21,834

29. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (Continued)

Financial instruments not measured at fair value

Financial instruments not measured at fair value include accounts receivable, deposits paid and cash and cash equivalents, accounts payable and accruals. Due to their short term nature, the carrying value of these financial instruments approximates its fair value.

Financial instruments measured at fair value

Commodity forward contracts are financial assets or liabilities at fair value through profit or loss and their fair value is determined with reference to the commodity price available in active markets, which is Level 2 fair value measurement.

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Input for the asset or liability that is not based on observable market data (unobservable input).

	2015			
	Level 1 **HK$'000**	**Level 2** **HK$'000**	**Level 3** **HK$'000**	**Total** **HK$'000**
Financial assets at fair value through profit or loss held for trading: — Commodity forward contracts	–	218	–	218
Financial liabilities at fair value through profit or loss held for trading: — Commodity forward contracts	–	1,091	–	1,091

29. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (Continued)

Financial instruments measured at fair value (Continued)

	2014			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at fair value through profit or loss held for trading:				
— Commodity forward contracts	–	2	—	2
Financial liabilities at fair value through profit or loss held for trading:				
— Commodity forward contracts	–	630	—	630

There is no transfer between Level 1 and Level 2 of the fair value hierarchy during the year.

30. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, interest rate risk, currency risk, liquidity risk and commodity price risk. These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to its accounts receivables, deposits arising from trading of commodity forward contracts, other receivables, derivative financial assets and bank balances.

Except for accounts receivable from customers and other receivables, the counterparties of all these financial assets are reputable banks or financial institutions, in this regards, the directors consider the Group's exposure to credit risk is significantly reduced.

30. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

In respect of accounts and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing credit evaluation is performed on the financial condition of trade customers and, where appropriate, credit guarantee insurance cover is purchased. Accounts receivable from customers are due within 2 days from the transaction date. Customers with balances that are more than 2 days past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group had a certain concentration of credit risk as at 31 December 2014 as the entire accounts receivable was due from a single customer.

(b) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises from bank borrowings. Borrowings arranged at variable rates expose the Group to cash flow interest rate risk while loans arranged at fixed rates expose the Group to fair value interest rate risk.

The Group manages interest rate risk by monitoring its interest rate profile. The Group conducts periodical review to determine preferred interest rates mix appropriate for the business profile. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

As the Group has no significant interest-bearing assets and liabilities, the Group's income and operating cash flows are substantially independent of changes in market interest rate.

(c) Currency risk

The Group's transactions and financial instruments are denominated in US$, HK$ and Renminbi ("RMB"), which expose the Group to currency risk. Since (i) HK$ is pegged to US$ and (ii) transactions and financial instruments which are denominated in RMB is insignificant to the Group, the Group's exposure to currency risk is minimal.

30. FINANCIAL RISK MANAGEMENT (Continued)

(d) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of payables and its financing obligations, and also in respect of its cash flow management. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that the Group maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The liquidity policy has been followed by the Group since prior years and is considered to have been effective in managing liquidity risks.

The tables below analyse the maturity of the Group's financial liabilities.

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000
2015				
Accounts payable and accruals	**22,076**	**22,076**	**22,076**	**–**
Derivatives financial liabilities	**1,091**	**1,091**	**1,091**	**–**
2014				
Accounts payable and accruals	21,834	21,834	21,834	–
Derivatives financial liabilities	630	630	630	–

30. FINANCIAL RISK MANAGEMENT (Continued)

(e) Commodity price risk

The management frequently monitors the metal price exposure and when necessary, the Group enters into additional commodity forward contracts to hedge the metal price exposure.

The Group's commodity price risk arises from inventories (note 16). The Group enters into commodity Forward Arrangements with certain suppliers and customers as mentioned in note 7 and also enters into forward contracts with commodity traders to hedge metal price exposures. Such commodity forward contracts do not qualify as hedging instruments and are classified as financial instruments at fair value through profit or loss. As assessed by the directors, the Group's exposure to price risk in respect of those outstanding commodity forward contracts for the year is not significant.

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out below:

Results	2015 HK$'000	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000
Revenue	1,076,076	2,128,140	1,496,203	1,093,109	1,385,924
Trading gains/(losses) on commodity forward contracts	2,304	22,752	14,649	13,284	(121,835)
Total income	1,078,464	2,151,000	1,510,946	1,107,332	1,270,677
Inventories consumed	(1,063,969)	(2,125,875)	(1,493,497)	(1,088,057)	(1,253,358)
(Loss)/profit before income tax	(363)	4,078	9,010	10,029	10,037
(Loss)/profit and total comprehensive income for the year	(313)	1,957	7,708	8,220	8,207

Assets and liabilities	2015 HK$'000	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000
Current assets	107,937	107,021	136,154	102,501	305,871
Current liabilities	23,167	23,941	118,287	87,560	261,824
Non-current assets	3,695	5,046	5,516	794	1,158
Non-current liabilities	–	–	–	60	34,751
Total equity	88,465	88,126	23,383	15,675	10,454

Key financial ratios	2015	2014	2013	2012	2011
Current ratio	4.66	4.47	1.15	1.17	1.17
Quick ratio	2.91	2.73	0.38	0.41	0.99
Gearing ratio	–	–	4.7 times	2.1 times	11.4 times
Return on total assets	(0.3%)	1.8%	5.4%	8.0%	2.7%
Return on equity	(0.4%)	2.2%	33.0%	52.4%	78.5%