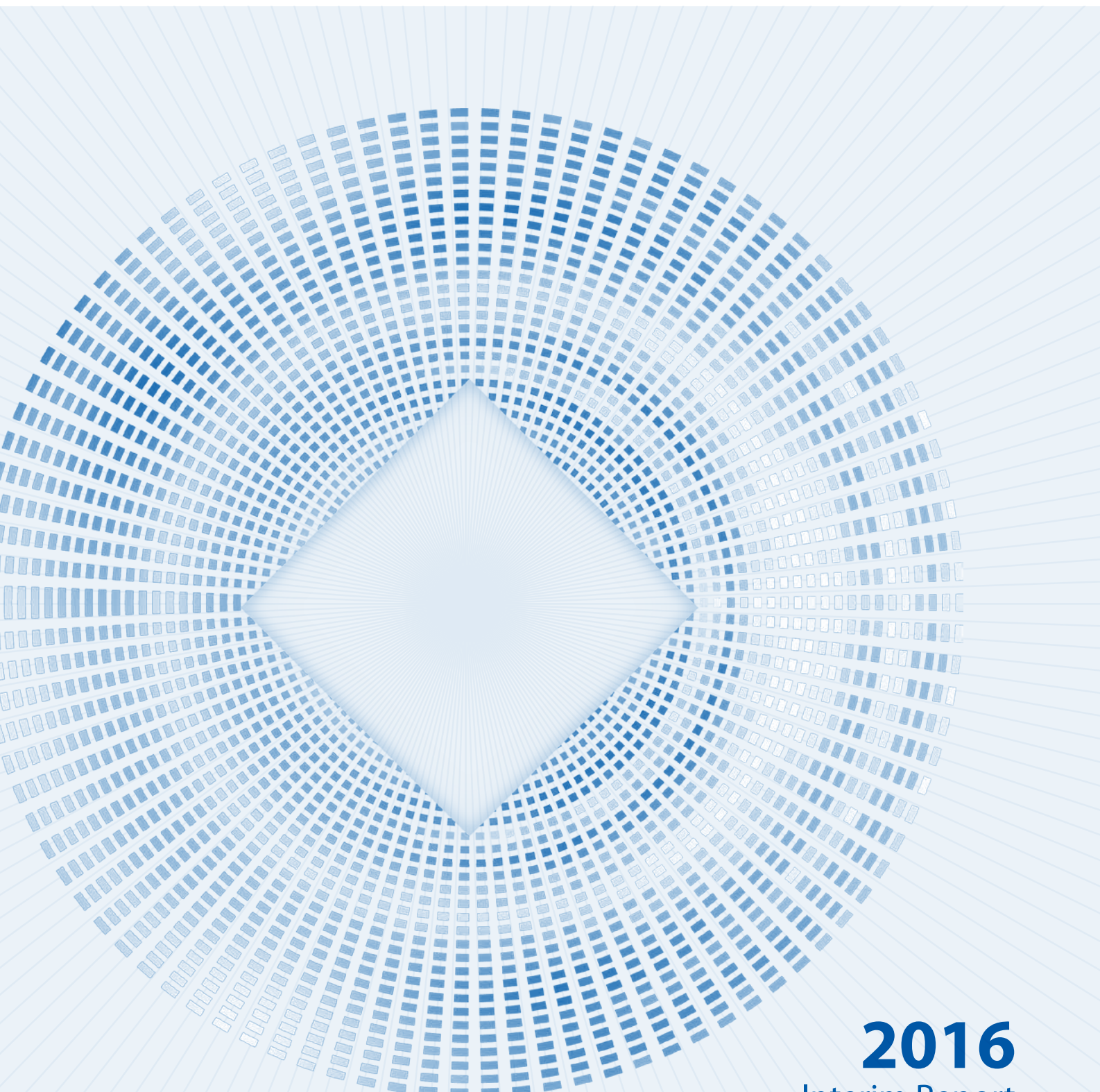
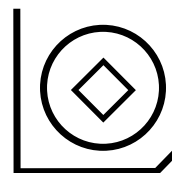


Loco Hong Kong Holdings Limited

港銀控股有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 8162)



2016

Interim Report

For The Six Months Ended 30 June 2016

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the “Directors” or individually a “Director”) of Loco Hong Kong Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

This report shall remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least seven days from the day of its posting and on the Company’s website at www.locohongkong.com.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		(Unaudited)			
		Six months ended 30 June		Three months ended 30 June	
Note	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	
Revenue					
— Sales of metal	1,132,219	563,679	973,947	281,411	
— Interest income from customers and suppliers	2,085	1,913	988	1,072	
— Processing fee	134	—	51	—	
— Order commission	400	97	313	76	
	1,134,838	565,689	975,299	282,559	
Trading gains/(losses) on commodity forward contracts	(10,460)	(919)	(9,510)	1,149	
Other income	68	31	3	16	
Total income	1,124,446	564,801	965,792	283,724	
Inventories consumed	(1,112,384)	(557,598)	(957,125)	(280,253)	
Staff costs	(3,572)	(2,878)	(1,846)	(1,691)	
Depreciation	(505)	(370)	(214)	(189)	
Gain on disposal of property, plant and equipment	—	775	—	694	
Foreign exchange gains/(losses)	(9)	2	(9)	1	
Other operating expenses	(3,126)	(2,894)	(1,719)	(1,632)	
Profit from operations	4,850	1,838	4,879	654	
Finance costs	5 (227)	(188)	(168)	(96)	
Profit before income tax expense	4,623	1,650	4,711	558	
Income tax expense	6 (765)	(206)	(765)	—	
Profit and total comprehensive income for the period	3,858	1,444	3,946	558	
	HK cents	HK cents	HK cents	HK cents	
Basic and diluted earnings per share	8 0.96	0.36	0.99	0.14	

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	(Unaudited) 30 June 2016 HK\$'000	(Audited) 31 December 2015 HK\$'000
Non-current assets			
Property, plant and equipment		3,240	3,695
Current assets			
Inventories		59,459	40,628
Accounts receivable, other receivables, deposits and prepayments	9	33,119	28,925
Derivative financial assets		38	218
Tax recoverable		1,443	2,208
Cash and cash equivalents		24,619	35,958
		118,678	107,937
Current liabilities			
Accounts payable, accruals and deposits received	10	13,163	22,076
Derivative financial liabilities		1,265	1,091
Amounts due to related companies	11	15,167	—
		29,595	23,167
Net current assets		89,083	84,770
Total assets less current liabilities/ Net assets		92,323	88,465
Capital and reserves			
Share capital	12	85,830	85,830
Reserves		6,493	2,635
Total equity		92,323	88,465

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	(Unaudited)				
	Share capital	Merger reserve	Share option reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2015	85,643	(1,357)	—	3,840	88,126
Profit and total comprehensive income for the period	—	—	—	1,444	1,444
	—	—	—	1,444	1,444
Transactions with owners:					
Recognition of equity-settled share-based payments	—	—	520	—	520
Issue of shares upon exercise of share options	187	—	(55)	—	132
At 30 June 2015	85,830	(1,357)	465	5,284	90,222
At 1 January 2016	85,830	(1,357)	459	3,533	88,465
Profit and total comprehensive income for the period	—	—	—	3,858	3,858
	—	—	—	3,858	3,858
Transactions with owners:					
Lapse of share options	—	—	(10)	10	—
At 30 June 2016	85,830	(1,357)	449	7,401	92,323

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)
Six months ended 30 June

	2016 HK\$'000	2015 HK\$'000
Operating activities		
Cash receipts from customers	1,132,352	571,743
Cash paid to suppliers	(1,131,215)	(537,601)
Other cash used in operating activities	(26,963)	(17,434)
Net cash (used in)/generated from operating activities	(25,826)	16,708
Investing activities		
Payment for the purchase of property, plant and equipment	(50)	(1,263)
Proceeds from disposal of property, plant and equipment	—	2,751
Other cash flows arising from investing activities	1	3
Net cash (used in)/generated from investing activities	(49)	1,491
Financing activities		
Net proceeds from issue of shares upon exercise of share options	—	132
Proceeds from bank loan	—	9,713
Proceeds from loan from a related company	14,763	—
Payment of loan interest and bank charges	(227)	(188)
Other cash flows arising from financing activities	—	708
Net cash generated from financing activities	14,536	10,365
Net (decrease)/increase in cash and cash equivalents	(11,339)	28,564
Cash and cash equivalents at beginning of period	35,958	37,314
Cash and cash equivalents at end of period	24,619	65,878
Analysis of balances of cash and cash equivalents		
Cash and bank balances	24,619	65,878

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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.

These condensed consolidated financial statements have not been audited but have been reviewed by audit committee of the Company and were approved for issue by the Directors on 9 August 2016.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the disclosure requirements of Chapter 18 of the GEM Listing Rules.

The accounting policies and method of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”), except for the adoption of the new and revised HKFRSs as disclosed in note 3 below.

Accounting estimates and assumptions are used in the preparation of financial statements. Although these estimates are based on management’s best knowledge and judgment of current events and actions, actual results may be ultimately different from those estimates and assumptions. In preparing these condensed consolidated financial statements, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements of the Group for the year ended 31 December 2015.

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

The financial information relating to the year ended 31 December 2015 included in these interim financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap.622) is as follows:

The Company will deliver the financial statements for the year ended 31 December 2015 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance (Cap.622).

The Company’s auditor has reported on the financial statements for the year ended 31 December 2015. The auditor’s report was unqualified; did not include a reference to any matter to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance (Cap.622).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

3. NEW AND REVISED HKFRSs ISSUED

The Group has adopted the following new and revised HKFRSs which are effective during the current accounting period:

- HKFRSs (Amendments) Annual Improvements 2012-2014 Cycle
- Amendments to HKAS 1 Disclosure Initiative
- Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The adoption of the above new and revised HKFRSs has had no significant financial impact on the Group's results and financial position. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4. OPERATING SEGMENTS INFORMATION

The information reported to the executive Directors, who are the chief operating decision makers for the purpose of resource allocation and assessment of performance, is the financial information of the Group as a whole as reported under HKFRSs. Such information does not contain profit or loss information of particular product or service line or geographical area. Therefore, the executive Directors have determined that the Group has only one single reportable segment which is metal trading, and no further operating segment analysis thereof is presented.

5. FINANCE COSTS

	(Unaudited)			
	Six months ended 30 June		Three months ended 30 June	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Interests on bank loans	69	128	37	66
Interests on amount due to a related company	99	—	99	—
Total interest expenses	168	128	136	66
Bank charges	59	60	32	30
	227	188	168	96

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

6. INCOME TAX EXPENSE

The amount of the income tax expense represents the following:

	(Unaudited)			
	Six months ended 30 June		Three months ended 30 June	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Current tax — Hong Kong profits tax charge for the period	765	206	765	—

The Company and its subsidiaries are subject to Hong Kong profits tax at the tax rate of 16.5% (2015: 16.5%) on the estimated assessable profits during the respective periods.

7. DIVIDENDS

The Board does not recommend the payment of any dividend of the Company for the six months ended 30 June 2016 (2015: nil).

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share are based on:

	(Unaudited)			
	Six months ended 30 June		Three months ended 30 June	
	2016	2015	2016	2015
Profit attributable to owners of the Company (HK\$'000)	3,858	1,444	3,946	558
Weighted average number of ordinary shares for the purpose of basic earnings per share	400,170,000	400,022,541	400,170,000	400,044,835
Effect of diluted potential ordinary shares: Share options	—	166,331	—	251,608
Weighted average number of ordinary shares for the purpose of diluted earnings per share	400,170,000	400,188,872	400,170,000	400,296,443

For the three months and the six months ended 30 June 2016, the computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options since the exercise price of the share options was higher than the average market price of the Company's shares during the three months and the six months ended 30 June 2016. Accordingly, the basic and diluted earnings per share are the same.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

9. ACCOUNTS RECEIVABLE, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	(Unaudited) 30 June 2016 HK\$'000	(Audited) 31 December 2015 HK\$'000
Margin deposits for commodity forward contracts	32,732	28,365
Deposits and prepayments	387	560
	33,119	28,925

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

10. ACCOUNTS PAYABLE, ACCRUALS AND DEPOSITS RECEIVED

	(Unaudited) 30 June 2016 HK\$'000	(Audited) 31 December 2015 HK\$'000
Accruals	1,288	2,482
Margin deposits for commodity forward contracts	11,875	19,594
	13,163	22,076

11. AMOUNTS DUE TO RELATED COMPANIES

The amounts included HK\$305,000 margin deposit received from Well Charm Group Limited in which Mr. Felipe Tan ("Mr. Tan") acts as director and has equity interest. The remaining balance represented advance from GobiMin Silver Limited, a shareholder of the Company and Mr. Tan acts as director and has indirect equity interest. The advance is unsecured, interest bearing at 3.5% per annum and is repayable on demand with a 3 days' notice (note 13(c)).

12. SHARE CAPITAL

	Number of Shares	Share Capital HK\$'000
Issued and fully paid:		
At 31 December 2015	400,170,000	85,830
At 30 June 2016	400,170,000	85,830

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

13. RELATED PARTY TRANSACTIONS

- (a) Saved as disclosed elsewhere in this report, the Group has the following significant related party transactions:

Type of transaction	(Unaudited)			
	Six months ended 30 June		Three months ended 30 June	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Data hosting service fee (Note i)	13	10	—	—
Sales of gold (Note ii)	—	1,775	—	1,775
Interest income (Note ii)	14	—	7	—
Commission income (Note ii)	1	—	1	—
Share of staff cost (Note iii)	333	—	126	—
Share of office rental and related expenses (Note iii)	542	271	272	135
Interest expenses (Note iv)	99	—	99	—

Notes:

- i The service fee was paid to a related company, in which Mr. Tan acts as director and has an indirect equity interest. The fee was made according to terms and conditions comparable to those offered to other customers of the related company.
- ii The sales were made, and the interest income and commission income were received from a related company, in which Mr. Tan acts as director and has a direct equity interest. These transactions were made according to terms and conditions comparable to those offered to other customers of the Group.
- iii The Group paid rent for the occupation of office space and shared staff cost and office related expenses with fellow subsidiaries of a shareholder of the Company, in which Mr. Tan acts as director and has an indirect equity interest. The rent was determined with reference to the market price and the cost shared was based on the actual cost incurred.
- iv The interest paid to a shareholder of the Company arose from loan, further details of which are disclosed in note 13(c) to the financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

13. RELATED PARTY TRANSACTIONS (Continued)

- (b) Members of key management comprise only of the Directors whose emoluments are set out below:

	(Unaudited)			
	Six months ended 30 June		Three months ended 30 June	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Short-term employee benefits	404	614	204	320
Share options granted	—	220	—	220
Contributions to pension scheme	9	19	5	4
	413	853	209	544

- (c) On 7 April 2016, GobiMin Silver Limited has entered into a loan agreement with China Precision Material Limited ("CPML"), a subsidiary of the Company with respect to a US\$4,000,000 revolving, term loan facility in favour of CPML. The agreement have an initial 6-month term ending on 6 October 2016 and may be extended by mutual consent (note 11).
- (d) Mr. Tan has provided personal guarantee up to HK\$10,000,000 plus default interest and other related costs and expenses to secure banking facilities granted to a subsidiary of the Company.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

14. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES MEASURED AT FAIR VALUE

The following table presents the fair value of the Group's financial instruments that are measured at fair value at the end of the reporting period:

	30 June 2016			
	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	—	38	—	38
Financial liabilities at fair value through profit or loss held for trading:				
— Commodity forward contracts	—	1,265	—	1,265
	31 December 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

There is no transfer between Level 1, Level 2 and Level 3 of the fair value hierarchy during the six months ended 30 June 2016 (year ended 31 December 2015: nil).

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, mainly the London Bullion Market Association, which is Level 2 fair value measurement.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

14. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES MEASURED AT FAIR VALUE (Continued)

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 assets 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).

15. EVENTS AFTER THE REPORTING DATE

On 15 July 2016, the Company issued convertible bonds with an aggregate principal amount of HK\$36,800,000. Details of the convertible bonds are disclosed in the Company's announcements dated 23 June 2016, 29 June 2016 and 15 July 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group's income was mainly generated from the sales of silver, gold and tin products. During the period under review, benefit from resumption of gold and tin trading and increase in silver processing activities, the Group achieved a significant increase in the revenue for the six months ended 30 June 2016.

For the six months ended 30 June 2016, the Group recorded a turnover of approximately HK\$1,132 million (2015: HK\$564 million), representing an increase of 101% as compared with the corresponding period last year, of which 58% was contributed by sale of silver products and the remaining were contributed by sale of gold and tin (2015: 99% silver products). Other than the revenue from sales of gold and tin products, the increase was mainly due to increase in quantity sold of silver products by 18% to 159 tonnes (2015: 134 tonnes), resulted from the turnaround of the silver industry in Hong Kong. The Group processed 153 tonnes (2015: 132 tonnes) of silver scrap. The total processing volume represented an increase of 16% when compared with the same period last year.

Outlook

Silver market price regained its climbing trend from 2016 after falling for 12% last year to its lowest since 2009. It rose by 24% from US\$15.05 per ounce on 1 April 2016 to US\$18.71 per ounce on 30 June 2016. Its turnaround reflected an obvious improvement in investment and speculative demand, mainly caused by an impressive rally in gold prices. So far in 2016, the world's major importer of silver, India, was very slow in absorbing the white metal. Most silver were flowing into the exchange traded funds and strong investment hands. We, however, expect India to come into market strongly during the end of the third quarter to cover up the short fall. The physical market will be more active during the second half of this year.

Financial Review

For the six months ended 30 June 2016, the Group had a total income of approximately HK\$1,124 million (2015: HK\$565 million), representing an increase of 99% as compared with the same period of 2015. The Group recorded profit of approximately HK\$3.9 million (2015: HK\$1.4 million), representing an increase of 167% as compared with the last corresponding period. The increase in profit was due to (i) the profit contributed by the resumed tin and gold trading which has not been operated last year; and (ii) the increase in the sales of silver products as compared with the corresponding period in 2015.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Capital Structure, Liquidity and Financial Resources

As at 30 June 2016, the Group had cash and bank balances of approximately HK\$24.6 million (31 December 2015: HK\$36.0 million) and net current assets of approximately HK\$89.1 million (31 December 2015: HK\$84.8 million). As at 30 June 2016, the current ratio stood at 4.01 times (31 December 2015: 4.66 times).

The Group generally finances its operations primarily with internally generated cash flow and borrowings.

As at 30 June 2016, the Group had outstanding borrowings of approximately HK\$14.9 million (31 December 2015: Nil). The details of the outstanding borrowings are as follows:

	30 June 2016		31 December 2015	
	Outstanding	Interest rate	Outstanding	Interest rate
Loan from a related company	US\$1,900,000	3.5% p.a.	—	—

The loan was settled after the reporting date.

As at 30 June 2016, the Group has loan facilities in aggregate amount of approximately HK\$41.1 million of which HK\$10.0 million was granted by a bank and the balance was granted by a shareholder. The Directors believed that the Group has adequate financial resources to fulfill its commitments and working capital requirements.

Gearing ratio

As at 30 June 2016, the Group's gearing ratio was 16% (31 December 2015: Nil), based on total interest bearing borrowings of approximately HK\$14.9 million and equity attributable to owners of the Company of approximately HK\$92.3 million. The increase in the ratio was mainly attributable to increase in loan from a related company during the period under review.

Charge on the Group's assets

As at 30 June 2016, no Group's asset 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.

Significant investments, acquisitions and disposals

There were no significant investment held as at 30 June 2016, nor other material acquisition and disposals of subsidiary during the period.

Capital commitment

As at 30 June 2016, the Group did not have any significant capital commitment.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

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 payment and expenses are settled in RMB and HK dollars and therefore we are subject to currency risks. The exchange rate of US\$ to Hong Kong dollars has been relatively stable throughout the period 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 economics conditions and changes in the PRC government's economic and monetary policies. 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 the Group as at 30 June 2016 and there has not been any material change in contingent liabilities of the Group since 30 June 2016.

Employees and remuneration policy

As at 30 June 2016, the Group employed a total of 20 staff. The total of employee remuneration, including remuneration of the Directors, for the six months ended 30 June 2016 amounted to approximately HK\$3.6 million.

Staff remuneration is reviewed by the Group from time to time and raises are granted normally annually or by special adjustment depending on the length of service and performance when warranted. In addition to salaries, the Group provides staff benefits including medical 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.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Comparison of business objectives with actual business progress

Business Objectives for the six months ended 30 June 2016

Actual Business Progress up to the six months ended 30 June 2016

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 fitness
 - Continue to liaise with members of CGSE to promote silver to local investors
- The Group continued to trade with existing customers and suppliers and had two new customers and two new suppliers during the period
 - The Group continued to maintain good relationship with members of CGSE to promote silver to local investors

Expansion and maintenance of processing facilities

- Renew tenancy agreement of existing workshop or move to other location
 - Acquire additional processing equipment if required
 - Implement renovation of existing processing facilities if appropriate
- The Group renewed tenancy agreement of the existing workshop
 - The Group did not acquire new processing equipment in view of the market condition and performance of the Group during the period
 - No renovation of the workshop was done in view of the market condition and performance of the Group during the period

Use of proceeds

The planned use of the proceeds as stated in the listing document of the Company dated 29 July 2014 (the "Prospectus") were based on the best estimation of future market condition 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 of a total of 120,000,000 ordinary shares at the placing price of HK\$0.36 per share on 4 August 2014 and was used according to the plan and adjusted for the actual market development. During the period from the date of Listing to 31 December 2015, the net proceeds had been fully applied.

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

As at 30 June 2016, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions

(a) Ordinary shares of the Company

Name of Director/ Chief Executive	Nature of Interests	Number of shares	% of shareholding
Felipe Tan	Interest of a controlled corporation & beneficial owner	153,510,000 (Note)	38.36%
Chau Mei Fan	Beneficial owner	1,409,365	0.35%

Note: Mr. Tan directly and indirectly owned 67.15% 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, GobiMin Inc. and GobiMin Investments Limited are deemed to have interest in the 153,260,000 ordinary 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 Director	Name of Associated Corporation	Nature of Interests	Number of shares	% of shareholding
Felipe Tan	Good Omen Investments Limited	Beneficial owner	100	100.00%
Felipe Tan	Belmont Holdings Group Limited	Interest of a controlled corporation & beneficial owner	10,205	100.00%
Felipe Tan	GobiMin Inc.	Interest of a controlled corporation & beneficial owner	34,689,000	67.15%
Felipe Tan	GobiMin Investments Limited	Interest of a controlled corporation	1,000	67.15%
Felipe Tan	GobiMin Silver Limited	Interest of a controlled corporation	1,000	67.15%

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

(Continued)

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

The Company adopted a share option scheme on 22 July 2014 ("Share Option Scheme"). Particulars of the directors' interests in Share Options Scheme were as follows:

Name of Director	Grant Date	Exercise price per share HK\$	Vesting and Exercise period	Number of share options and underlying shares					Outstanding as at 30.6.2016
				Outstanding as at 1.1.2016	Granted	Exercised	Cancelled	Lapsed	
Felipe Tan	10.4.2015	0.78	10.4.2015 - 9.4.2025	250,000	0	0	0	0	250,000
Chau Mei Fan	10.4.2015	0.78	10.4.2015 - 9.4.2025	200,000	0	0	0	0	200,000
Chan Ka Ling Edmond	10.4.2015	0.78	10.4.2015 - 9.4.2025	80,000	0	0	0	0	80,000
Tang Cornor Kwok Kau	10.4.2015	0.78	10.4.2015 - 9.4.2025	80,000	0	0	0	0	80,000
Tsang Wai Chun Marianna	10.4.2015	0.78	10.4.2015 - 9.4.2025	80,000	0	0	0	0	80,000
				690,000	0	0	0	0	690,000

Short Positions

As at 30 June 2016, no short positions of Directors or chief executives in the shares of the Company and its associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

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

As at 30 June 2016, 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 & beneficial owner	42,780,516 (Note)	10.69%
Hong Jin Group Limited	Beneficial owner	42,700,516	10.67%

Note: These shares included 42,700,516 ordinary shares of the Company 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 ordinary shares of the Company held by Hong Jin Group Limited. Mr. Huang Hongbin was granted by the Company 80,000 shares options on 10 April 2015 pursuant to the Company's option scheme at an exercise price of HK\$0.78 per share with vesting and exercise period from 10 April 2015 to 9 April 2025. As at 1 January 2016 and 30 June 2016, the outstanding share options held by Mr. Huang Hongbin was 80,000.

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 30 June 2016.

SHARE OPTIONS

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

Type of Participant	Grant Date	Exercise price per share HK\$	Vesting and Exercise period	Number of share options and underlying shares					Outstanding as at 30.6.2016
				Outstanding as at 1.1.2016	Granted	Exercised	Cancelled	Lapsed	
Directors	10.4.2015	0.78	10.4.2015-9.4.2025	690,000	0	0	0	0	690,000
Employees	10.4.2015	0.78	10.4.2015-9.4.2025	600,000	0	0	0	0	600,000
Others	10.4.2015	0.78	10.4.2015-9.4.2025	150,000	0	0	0	(30,000)	120,000
				1,440,000	0	0	0	(30,000)	1,410,000

The fair value of equity-settled share options granted was HK\$0.319 per option which was determined by using the Black-Scholes option pricing model with the following assumptions. The fair value of the option varies with difference variables of these subjective assumptions and is subject to the limitation of the model. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

Exercise price	HK\$0.78
Expected life	5 years
Expected volatility	45.9%
Dividend yield	—
Discount rate	1.09%
Forfeiture rate	—

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

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

COMPETITION AND CONFLICT OF INTEREST

Apart from the business of the Group, Mr. Tan is also engaged in the other businesses including directly and indirectly owned (i) approximately 67.15% equity interests in GobiMin Inc., which is engaged in the exploration and exploitation of mineral resources in Xinjiang, PRC, shares of which are listed on the TSX Venture Exchange in Canada, and (ii) approximately 25.93% equity interests in Timeless Software Limited ("Timeless"), which is principally engaged in the information technology business and mining business, and shares of which are listed on GEM, as at 30 June 2016.

COMPETITION AND CONFLICT OF INTEREST *(Continued)*

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 specialized segments of the industry. The products of GobiMin Group may be similar with that of the Group such as gold, but the market of GobiMin Group is in the PRC while the Group is in Hong Kong and overseas (excluding the PRC) and as such, our Directors consider that there is no overlapping in respect of the market between GobiMin Group and the Group. Furthermore, Timeless is involved in the information technology sector and mining business which is entirely different from our metal processing and trading business.

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.

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 30 June 2016.

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 9 August 2016 which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

CORPORATE GOVERNANCE

Code on Corporate Governance Practices

During the six months ended 30 June 2016, 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 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 six months ended 30 June 2016.

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 paragraph C.3 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The duties of the audit committee include reviewing, in draft form, our annual report and accounts, half-yearly report and quarterly report and providing advice and comments to the Board. In this regard, members of audit committee will liaise with the Board, our senior management and auditors. Our audit committee will also consider any significant or unusual 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 auditors. Members of our audit committee are also responsible for reviewing our Company's financial reporting process, risk management and internal control systems.

We have designated staff with relevant experience and knowledge to oversee the internal control and internal audit function. The designated staff regularly (i) evaluate with our senior management on the risk assessment and risk mitigation measures; (ii) assess the effectiveness of the internal control and risk management systems and ensure they are properly followed; and (iii) submit periodical reports to the audit committee for review and approval.

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

The Audit Committee has reviewed the unaudited condensed combined interim financial statements of the Group for the six months ended 30 June 2016.

CORPORATE GOVERNANCE *(Continued)*

Remuneration Committee

We established our remuneration committee on 22 July 2014 with written terms of reference in compliance with paragraph B.1 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. Amongst other things, the primary duties of the remuneration committee are to determine the specific remuneration package 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.

Nomination Committee

We established our nomination committee on 22 July 2014 with written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code as set out in Appendix 15 to GEM Listing Rules. The nomination committee is mainly responsible for making recommendations to the Board on appointment and succession planning of our Directors.

Our nomination committee comprises Ms. Tsang Wai Chun Marianna, Mr. Chan Ka Ling Edmond, Mr. Tang Cornor Kwok Kau and Mr. Tan. Ms. Tsang Wai Chun Marianna is the chairlady of the nomination committee.

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. Tan and Ms. Chau Mei Fan. Mr. Tang Cornor Kwok Kau is the chairman of the hedging committee.

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

Executive Directors:

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

Independent non-executive Directors:

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

Hong Kong, 9 August 2016