Loco Hong Kong Holdings Limited
港銀控股有限公司
(incorporated in Hong Kong with limited liability)
(Stock Code: 8162)

Interim Report 2018

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

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

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE BOARD OF DIRECTORS OF LOCO HONG KONG HOLDINGS LIMITED
(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 4 to 29, which comprise the condensed consolidated statement of financial position of Loco Hong Kong Holdings Limited and its subsidiaries as of 30 June 2018, the related condensed consolidated statements of comprehensive income for the three-month period then ended, the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("HKSRE 2410") issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

OTHER MATTER

The comparatives in the condensed consolidated statement of comprehensive income, changes in equity and cash flows, and the related explanatory notes for the six-month period ended 30 June 2017; and the condensed consolidated statement of comprehensive income and the related explanatory notes for the three-month period ended 30 June 2017 have not been reviewed by us in accordance with HKSRE 2410 or audited.

BDO Limited
Certified Public Accountants

Hong Kong, 14 August 2018

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited			
		Six months ended 30 June		Three months ended 30 June	
	Note	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Revenue					
– Sales of metal		**858,165**	1,064,692	**434,158**	613,974
– Sales of electronic products		**13,011**	52,827	**–**	22,039
– Merchandising support services		**1,039**	–	**629**	–
– Interest income from customers and suppliers		**3,604**	2,778	**1,757**	1,616
– Processing fee		**–**	14	**–**	–
– Order commission		**5**	310	**2**	126
		875,824	1,120,621	**436,546**	637,755
Trading gains/(losses) on commodity forward contracts		**819**	4,382	**(796)**	6,224
Other income		**187**	163	**100**	9
Total income		**876,830**	1,125,166	**435,850**	643,988
Carrying value of inventories sold		**(860,238)**	(1,111,030)	**(429,961)**	(636,028)
Changes in fair value of commodity inventories		**(5,078)**	719	**(269)**	(653)
Employee costs		**(8,900)**	(8,467)	**(4,659)**	(4,353)
Depreciation		**(936)**	(909)	**(437)**	(458)
Rental expenses		**(2,949)**	(2,655)	**(1,541)**	(1,388)
Fair value loss on of investment held for trading		**–**	(2,017)	**–**	(943)
Other operating expenses		**(5,578)**	(7,021)	**(3,832)**	(4,949)
Share of losses of associates		**(2)**	–	**–**	–
Finance costs	6	**(565)**	(2,693)	**(288)**	(1,406)
Loss before income tax expense		**(7,416)**	(8,907)	**(5,137)**	(6,190)
Income tax expense	7	**(285)**	(486)	**(64)**	(134)
Loss for the period		**(7,701)**	(9,393)	**(5,201)**	(6,324)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

		Unaudited			
		Six months ended 30 June		Three months ended 30 June	
	Note	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Loss for the period attributable to:					
– Owners of the Company		**(7,464)**	(9,393)	**(5,140)**	(6,324)
– Non-controlling interests		**(237)**	–	**(61)**	–
		(7,701)	(9,393)	**(5,201)**	(6,324)
Loss for the period		**(7,701)**	(9,393)	**(5,201)**	(6,324)
Other comprehensive income					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		**(644)**	1,051	**(2,138)**	732
Total comprehensive income for the period		**(8,345)**	(8,342)	**(7,339)**	(5,592)
Total comprehensive income for the period attributable to:					
– Owners of the Company		**(8,083)**	(8,342)	**(7,171)**	(5,592)
– Non-controlling interests		**(262)**	–	**(168)**	–
		(8,345)	(8,342)	**(7,339)**	(5,592)
		HK cents	HK cents	**HK cents**	HK cents
Basic and diluted loss per share	9	**(1.55)**	(2.35)	**(1.07)**	(1.58)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Unaudited 30 June 2018 HK$'000	Audited 31 December 2017 HK$'000
Non-current assets			
Property, plant and equipment		**1,533**	2,396
Interest in an associate		**15**	299
Non-current financial assets	10	**5,004**	1
		6,552	2,696
Current assets			
Inventories		**32,952**	105,280
Trade and other receivables, deposits and prepayments	11	**67,967**	61,352
Loan receivable		**7,000**	9,000
Derivative financial assets		**32**	8,935
Amount due from a related company		**–**	54
Tax recoverable		**60**	319
Bank deposit with maturity over three months		**30,000**	–
Cash and cash equivalents		**79,740**	46,630
		217,751	231,570
Current liabilities			
Other payables, accruals and deposits received	12	**60,683**	43,647
Derivative financial liabilities		**3,095**	76
Amount due to an associate		**–**	295
Amounts due to related companies		**28,757**	50,023
Amounts due to directors		**263**	154
Loan from a related company		**27,195**	27,195
Tax payable		**–**	206
		119,993	121,596
Net current assets		**97,758**	109,974
Net assets		**104,310**	112,670
Equity			
Share capital		**122,898**	122,898
Reserves		**(18,166)**	(10,083)
Equity attributable to the owners of the Company		**104,732**	112,815
Non-controlling interests		**(422)**	(145)
Total equity		**104,310**	112,670

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited							
	Share capital HK$'000	Merger reserve HK$'000	Share option reserve HK$'000	Exchange reserve HK$'000	(Accumulated losses)/ Retained profits HK$'000	Equity attributable to owners of the Company HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2017	85,830	(1,357)	421	(120)	6,441	91,215	–	91,215
Loss for the period	–	–	–	–	(9,393)	(9,393)	–	(9,393)
Other comprehensive income:								
Exchange differences on translating foreign operations	–	–	–	1,048	3	1,051	–	1,051
Total comprehensive income for the period	–	–	–	1,048	(9,390)	(8,342)	–	(8,342)
Transactions with owners:								
Forfeited of share options	–	–	(41)	–	41	–	–	–
At 30 June 2017	85,830	(1,357)	380	928	(2,908)	82,873	–	82,873
At 1 January 2018	**122,898**	**(1,357)**	**380**	**2,335**	**(11,441)**	**112,815**	**(145)**	**112,670**
Loss for the period	**–**	**–**	**–**	**–**	**(7,464)**	**(7,464)**	**(237)**	**(7,701)**
Other comprehensive income:								
Exchange differences on translating foreign operations	**–**	**–**	**–**	**(619)**	**–**	**(619)**	**(25)**	**(644)**
Total comprehensive income for the period	**–**	**–**	**–**	**(619)**	**(7,464)**	**(8,083)**	**(262)**	**(8,345)**
Transactions with owners:								
Capital injection by non-controlling interest	**–**	**–**	**–**	**–**	**–**	**–**	**2,364**	**2,364**
Deemed disposal of a subsidiary (note 15)	**–**	**–**	**–**	**1**	**(1)**	**–**	**(2,379)**	**(2,379)**
At 30 June 2018	**122,898**	**(1,357)**	**380**	**1,717**	**(18,906)**	**104,732**	**(422)**	**104,310**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Operating activities		
Cash receipts from customers	**871,165**	1,084,623
Cash paid to suppliers	**(792,988)**	(1,113,963)
Other cash flows arising from operating activities	**(14,736)**	7,655
Net cash generated from/(used in) operating activities	**63,441**	(21,685)
Investing activities		
Payment for the purchase of property, plant and equipment	**(59)**	(108)
Proceeds from investment in securities	**–**	9,020
Investment in an associate	**(4,729)**	–
Deposit paid for a potential investment	**(2,900)**	–
Bank deposit with maturity over three months	**(30,000)**	–
Deposit received	**30,000**	–
Investment in financial assets at fair value through profit or loss	**(5,000)**	–
Other cash flows arising from investing activities	**7**	(79)
Net cash (used in)/generated from investing activities	**(12,681)**	8,833
Financing activities		
Proceeds from bank loans	**–**	9,713
Advance from directors	**109**	–
Repayment of advance from related companies	**(21,266)**	–
Capital Injection by non-controlling interest	**2,364**	–
Advance from non-controlling interest	**2,365**	–
Payment of loan interest	**(519)**	(533)
Net cash (used in)/generated from financing activities	**(16,947)**	9,180
Net increase/(decrease) in cash and cash equivalents	**33,813**	(3,672)
Effect of foreign exchange rate changes	**(703)**	–
Cash and cash equivalents at beginning of period	**46,630**	119,930
Cash and cash equivalents at end of period	**79,740**	116,258
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**79,740**	116,258

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Loco Hong Kong Holdings Limited (the "Company") is a limited liability company incorporated in Hong Kong. Its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office and principal place of business is Room 1702, 17/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong.

The Company and its subsidiaries (collectively the "Group") are principally engaged in trading of metal and commodity forward contracts, trading of electronic products, provision of merchandising support services and provision of money lending services, which are conducted in Hong Kong and the People's Republic of China ("PRC").

The condensed consolidated interim financial statements of the Group for the six months ended 30 June 2018 were authorised for issue by the Directors on 14 August 2018.

2. BASIS OF PREPARATION AND SIGNIFICANT EVENT

These condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

The preparations of these condensed consolidated interim financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

These condensed consolidated interim financial statements do not include all the information and disclosures required in a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2017.

These condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the 2017 annual financial statements, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2018. This is the first set of the Group's financial statements in which HKFRS 9 and HKFRS 15 have been adopted. Details of any changes in accounting policies are set out in note 3. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

These condensed consolidated interim financial statements are unaudited, but has been reviewed by BDO Limited in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. BDO Limited's independent review report to the Board of Directors is included on pages 2 and 3.

2. BASIS OF PREPARATION AND SIGNIFICANT EVENT *(Continued)*

The financial information relating to the year ended 31 December 2017 included in these condensed consolidated 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 is as follows:

- The Company has delivered the financial statements for the year ended 31 December 2017 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

- The Company's auditor has reported on the financial statements for the year ended 31 December 2017. 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 Hong Kong Companies Ordinance.

During the year ended 31 December 2017, the Group entered into equity transfer agreement for the proposed acquisition of the equity interest in a PRC company. The acquisition was completed during the period ended 30 June 2018. Details about the acquisition are set out in note 15.

3. CHANGES IN HKFRSs

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

- HKFRS 9 *Financial Instruments*

- HKFRS 15 *Revenue from Contracts with Customers*

- HK(IFRIC)-Interpretation 22 *Foreign Currency Transactions and Advance Considerations*

- Amendments to HKFRS 2 *Classification and Measurement of Share-based Payment Transactions*

- Amendments to HKFRS 4 Applying HKFRS 9 *Financial Instruments* with HKFRS 4 *Insurance Contracts*

- Amendments to HKAS 28 included in Annual Improvements to HKFRSs 2014-2016 Cycle, *Investments in Associates and Joint Ventures*

- Amendments to HKAS 40 *Transfers of Investment Property*

- Amendments to HKFRS 1 included in Annual Improvements to HKFRSs 2014-2016 Cycle, *First-time Adoption of Hong Kong Financial Reporting Standards*

3. CHANGES IN HKFRSs *(Continued)*

The impact of the adoption of HKFRS 9 Financial Instruments (see note (a) below) and HKFRS 15 Revenue from Contracts with Customers (see note (b) below) have been summarised in below. The other new or amended HKFRSs that are effective from 1 January 2018 did not have any material impact on the Group's accounting policies.

(a) HKFRS 9 Financial Instruments ("HKFRS 9")

(i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the condensed consolidated interim financial statements.

HKFRS 9 basically retains the existing requirements in HKAS 39 for the classification and measurements of financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised costs"); (ii) financial assets at fair value through other comprehensive income ("FVOCI"); or (iii) FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

3. CHANGES IN HKFRSs *(Continued)*

(a) HKFRS 9 Financial Instruments ("HKFRS 9") *(Continued)*

(i) Classification and measurement of financial instruments *(Continued)*

A financial asset is measured at amortised cost if it meets both of the following conditions are met and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Group's financial assets as follows:

FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Amortised costs	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.
FVOCI (equity investments)	Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.

3. CHANGES IN HKFRSs *(Continued)*

(a) HKFRS 9 Financial Instruments ("HKFRS 9") *(Continued)*

(i) Classification and measurement of financial instruments *(Continued)*

As of 1 January 2018, certain unquoted equity investments were reclassified from available-for-sale financial assets at cost to FVTPL. These unquoted equity instrument has no quoted price in an active market. These equity investments were previously measured at cost less impairment and are re-measured at fair value upon adoption of HKFRS 9. The carrying value of these equity investments approximated its fair value as at 1 January 2018. As a result, financial assets with carrying value of HK$1,000 were reclassified from available-for-sale financial assets to FVTPL.

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 1 January 2018 under HKAS 39 HK$'000	Carrying amount as at 1 January 2018 under HKFRS 9 HK$'000
Unlisted equity investments	Available-for-sale (at cost)	FVTPL	1	1
Trade and other receivables	Loans and receivables	Amortised cost	60,936	60,936
Loan receivable	Loans and receivables	Amortised cost	9,000	9,000
Derivatives	FVTPL	FVTPL	8,935	8,935
Amount due from a related company	Loans and receivables	Amortised cost	54	54
Cash and cash equivalents	Loans and receivables	Amortised cost	46,630	46,630

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". HKFRS 9 requires the Group to recognise ECL for trade receivables and financial assets at amortised costs earlier than HKAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

3. CHANGES IN HKFRSs *(Continued)*

(a) HKFRS 9 Financial Instruments ("HKFRS 9") *(Continued)*

(ii) Impairment of financial assets *(Continued)*

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-month ECLs. The 12-month ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 60 days past due.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 120 days past due.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

3. CHANGES IN HKFRSs *(Continued)*

(a) HKFRS 9 Financial Instruments ("HKFRS 9") *(Continued)*

(ii) Impairment of financial assets *(Continued)*

Impact of the ECL model

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which adopts a lifetime ECLs for all trade receivables. To measure the ECLs, these receivables have been grouped based on shared credit risk characteristics and the days past due. No additional impairment for these receivables as at 1 January 2018 and during the six months period ended 30 June 2018 is recognised as the amount of additional impairment measured under the ECLs model is insignificant.

Other financial assets at amortised cost of the Group including loan and loan interest receivables, other receivables, deposits for commodity forward contracts and amount due from a related company. No additional impairment for these financial assets as at 1 January 2018 and during the six months period ended 30 June 2018 is recognised as the amount of additional impairment measured under the ECLs model is insignificant.

(b) HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15")

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations. HKFRS 15 has established a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

(i) Timing of revenue recognition

Previously, revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers. Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

- When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

- When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced; or

3. CHANGES IN HKFRSs *(Continued)*

(b) HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") *(Continued)*

(i) Timing of revenue recognition *(Continued)*

- When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The Group's contracts with customers for the sales of metal and electronic products generally include one performance obligation. The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from sales of metal and electronic products as the sale contracts does not satisfy the above criterion.

(ii) Principal versus agent considerations

As disclosed in note 15, the Group has completed the acquisition of 50% equity interest in Shanghai Friction (defined in note 15) during the period. The principal activities of Shanghai Friction are to procure automotive parts from China Yantai Friction Co., Ltd. ("CYFC"), a shareholder of 20% indirect equity interest in Shanghai Friction, and to arrange for sales of those automotive parts to customers in the PRC. Based on the existence of inventory risk, it was assessed that the Group was exposed to significant risks and rewards associated with the sale of those automotive parts to customers, and thus the Group had accounted for the contracts as if it is a principal and recognised revenue of HK$9,462,000 in its condensed consolidated financial statements for the three months ended 31 March 2018. Upon adoption of HKFRS 15, however, the Group determined that it does not control the goods before they are transferred to customers, and hence, is an agent in these contracts because it does not have the ability to direct the use of those automotive parts. The performance obligation of the Group is to provide merchandising support services to facilitate the sales of those automotive parts by CYFC to customers. Accordingly, upon adoption of HKFRS 15, the Group has recognised revenue of HK$1,039,000 in its condensed consolidated financial statements for the six months ended 30 June 2018 which sum represents income derived from providing such merchandising support services.

3. CHANGES IN HKFRSs *(Continued)*

(b) HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") *(Continued)*

(iii) Presentation and disclosure requirements

As required for the condensed consolidated interim financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group has also disclosed information about the relationship between the disclosures of disaggregated revenue and revenue information disclosed for each reportable segment. Refer to note 5 for the disclosure on disaggregated revenue.

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing this condensed consolidated interim financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2017 annual financial statements, except for new significant judgements and key sources of estimation uncertainty related to the application of HKFRS 9 and HKFRS 15 as described in note 3.

5. OPERATING SEGMENTS INFORMATION

The Group determines its operating segments based on the reports reviewed by the executive directors, who are the chief operating decision-maker that are used to make strategic decision.

The Group has four reportable segments. The segments are managed separately as each business offers different products and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- Trading of metal – Trading of metal and commodity forward contracts in Hong Kong.
- Trading of electronic products – Trading of electronic products in the PRC.
- Money lending – In August 2017, the Group launched its money lending service in Hong Kong.
- Merchandising support services – The Group commenced the merchandising support services for trading of automotive parts in the PRC since February 2018 following the completion of acquisition of a PRC entity as disclosed in note 15.

5. OPERATING SEGMENTS INFORMATION *(Continued)*

(a) Business segments

	Unaudited				
	Trading of metal HK$'000	Trading of electronic products HK$'000	Money lending HK$'000	Merchandising support services HK$'000 (note (ii))	Total HK$'000
Six months ended 30 June 2018					
Reportable segment revenue (note (i))	861,525	13,011	249	1,039	875,824
Reportable segment profit	1,999	441	164	33	2,637
As at 30 June 2018					
Reportable segment assets	136,236	37,196	9,435	–	182,867
Reportable segment liabilities	88,958	29	–	–	88,987

	Unaudited			
	Trading of metal HK$'000	Trading of electronic products HK$'000	Money lending HK$'000	Total HK$'000
Six months ended 30 June 2017				
Reportable segment revenue (note (i))	1,067,794	52,827	–	1,120,621
Reportable segment profit	2,573	1,759	–	4,332
As at 31 December 2017 (Audited)				
Reportable segment assets	164,712	37,025	9,280	211,017
Reportable segment liabilities	119,131	801	9	119,941

Notes:

(i) There is no inter-segment revenue for the period.

(ii) This segment is deemed to be disposed of on 30 June 2018 (note 15).

5. OPERATING SEGMENTS INFORMATION *(Continued)*

(b) Reconciliation of reportable segment results

	Unaudited Six months ended 30 June 2018 HK$'000	2017 HK$'000
Reportable segment profit	**2,637**	4,332
Depreciation	**(637)**	(601)
Interest expenses	**–**	(2,121)
Employee costs	**(4,969)**	(4,840)
Loss on disposal of investments held for trading	**–**	(2,017)
Rental expenses	**(1,854)**	(1,595)
Other unallocated corporate expenses	**(2,593)**	(2,065)
Loss before income tax expense	**(7,416)**	(8,907)

(c) Disaggregation of revenue

Unaudited
Six months ended 30 June

	Trading of metal		Trading of electronic products		Money lending		Merchandising support services		Total	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Primary geographical markets										
Singapore	**463,299**	378,803	**–**	–	**–**	–	**–**	–	**463,299**	378,803
Hong Kong	**256,444**	559,986	**–**	–	**249**	–	**–**	–	**256,693**	559,986
Australia	**58,028**	50,642	**–**	–	**–**	–	**–**	–	**58,028**	50,642
Japan	**83,736**	69,207	**–**	–	**–**	–	**–**	–	**83,736**	69,207
PRC (exclude Hong Kong)	**18**	58	**13,011**	52,827	**–**	–	**1,039**	–	**14,068**	52,885
United Kingdom	**–**	9,098	**–**	–	**–**	–	**–**	–	**–**	9,098
	861,525	1,067,794	**13,011**	52,827	**249**	–	**1,039**	–	**875,824**	1,120,621

6. FINANCE COSTS

	Unaudited			
	Six months ended 30 June		Three months ended 30 June	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Interests on bank loans	**47**	61	**34**	61
Interest on convertible bonds	**–**	2,121	**–**	1,081
Interests on loan from a related company	**472**	472	**237**	237
Total interest expenses	**519**	2,654	**271**	1,379
Bank charges	**46**	39	**17**	27
	565	2,693	**288**	1,406

7. INCOME TAX EXPENSE

The amount of the income tax expense represents the following:

	Unaudited			
	Six months ended 30 June		Three months ended 30 June	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Current tax	**285**	486	**64**	134

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

PRC subsidiaries are subject to Enterprise Income Tax at 25% (2017: 25%).

8. DIVIDENDS

The Board does not recommend the payment of any dividend of the Company for the six months ended 30 June 2018 (2017: nil).

9. LOSS PER SHARE

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

	Unaudited			
	Six months ended 30 June		**Three months ended 30 June**	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Loss for the purpose of basic loss per share	**(7,464)**	(9,393)	**(5,140)**	(6,324)
Weighted average number of ordinary shares for the purpose of basic loss per share	**480,170,000**	400,170,000	**480,170,000**	400,170,000

For the six months and three months ended 30 June 2018, the computation of diluted loss per share does not assume the exercise of the Company's outstanding share options since their exercise price is higher than the average market price of the shares of the Company for the period. Accordingly, the basic and diluted loss per share are the same.

For the six months ended and three months ended 30 June 2017, the computation of diluted loss per share does not assume the exercise of the Company's outstanding share options since their exercise price is higher than the average market price of the shares of the Company for the period. In addition, it does not assume the conversion of the Company's convertible bonds as they had anti-dilutive effect on the loss per share calculation. Accordingly, the basic and diluted loss per share are the same.

10. NON-CURRENT FINANCIAL ASSETS

	Unaudited 30 June 2018 HK$'000	Unaudited 1 January 2018 HK$'000	Audited 31 December 2017 HK$'000
Financial assets at FVTPL			
– Unlisted equity securities (note (i) and (ii))	5,004	1	–
Available-for-sale financial assets			
– Unlisted equity securities (note (i))	–	–	1
	5,004	1	1

Notes:

(i) Available-for-sale financial assets were reclassified to financial assets at FVTPL upon initial application of HKFRS 9 at 1 January 2018 as mentioned in note 3(a)(i).

(ii) The unlisted securities as at 30 June 2018 mainly comprise shares in Grand Max Enterprises Limited ("Grand Max"), a company incorporated in Hong Kong which is currently investing in some innovative technology projects. As at 30 June 2018, the Group held 7.4% of the share capital of Grand Max.

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Unaudited 30 June 2018 HK$'000	Audited 31 December 2017 HK$'000
Trade receivables	**36,621**	35,509
Loan interest receivable	**24**	93
Deposits for commodity forward contracts	**26,755**	24,015
Other receivables, deposits and prepayments	**4,567**	1,735
	67,967	61,352

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(Continued)*

Credit period granted to a customer of trading of electronic products segment is six months.

The aging analysis of trade receivables, based on invoices dates, is as follows:

	Unaudited 30 June 2018 HK$'000	Audited 31 December 2017 HK$'000
Within 180 days	**12,309**	35,509
181 days to 210 days	**24,312**	–
	36,621	35,509

12. OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	Unaudited 30 June 2018 HK$'000	Audited 31 December 2017 HK$'000
Other payables and accruals	**31,246**	2,335
Deposits for commodity forward contracts	**29,437**	41,312
	60,683	43,647

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 2018 HK$'000	 2017 HK$'000	 Three months ended 30 June 2018 HK$'000	 2017 HK$'000
Interest charged on loan granted to the Group (Note (i))	**472**	472	**237**	237
Share of staff cost charged to the Group (Note (ii))	**328**	329	**156**	164
Office rental and other related expenses charged to the Group (Note (ii))	**534**	538	**267**	269
Interest and commission income charged by the Group for entering into forward arrangements (Note (iii))	**36**	115	**21**	54

Notes:

(i) Interest was charged to the Group on the loan granted by a company in which Mr. Felipe Tan ("Mr. Tan"), one of the Company's directors, acts as director and has controlling equity interest.

(ii) The Group paid rent to a related company for occupation of office space and shared staff cost and office related expenses with other related companies. Mr. Tan acts as a director and has controlling equity interest in those companies.

(iii) Interest income and commission income generated for entering into forward arrangements during the period were conducted with companies in which Mr. Tan acts as a director and has equity interest.

13. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Key management includes members of the board of directors and other members of key management of the Group. Their emoluments are set out as follows:

	Unaudited			
	Six months ended 30 June		Three months ended 30 June	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
Short-term employee benefits	**4,429**	2,806	**2,345**	1,504
Contributions to pension scheme	**69**	37	**34**	16
	4,498	2,843	**2,379**	1,520

14. FINANCIAL INSTRUMENTS

(a) Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, other bank deposit, trade and other receivables, loan receivable, amount due from a related company, other payables and accrual, amounts due to an associate, related companies and directors and loan from a related company. Due to their short-term nature, the carrying values of the above financial instruments approximates their fair values.

(b) Financial instruments 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:

		Unaudited 30 June 2018		
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial assets at FVTPL:				
– Unlisted equity securities	**–**	**–**	**5,004**	**5,004**
– Commodity forward contracts	**–**	**32**	**–**	**32**
Financial liabilities at FVTPL:				
– Commodity forward contracts	**–**	**3,095**	**–**	**3,095**

		Audited 31 December 2017		
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at FVTPL:				
– Commodity forward contracts	–	8,935	–	8,935
Financial liabilities at FVTPL:				
– Commodity forward contracts	–	76	–	76

During the six months ended 30 June 2018 and 30 June 2017, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

14. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial instruments 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).

The fair values of commodity forward contracts are determined with reference to the commodity prices available in active markets, which are level 2 fair value measurement.

The fair value of unlisted equity securities is determined based on transaction price and factors or events that have occurred after the acquisition date. Since there is no significant change in market condition or the performance and operation of the investee, the Directors considered the fair value of the unlisted equity securities is approximately the transaction price.

15. ACQUISITION AND DEEMED DISPOSAL OF A SUBSIDIARY

On 1 January 2018, the Group completed the acquisition of 50% equity interest in 上海孚瑞恒眾汽車科技有限公司 (Shanghai Friction Automotive Technology Co., Ltd*) ("Shanghai Friction") which is principally engaged in provision of merchandising support services for trading of automotive parts in the PRC. The consideration of the acquisition is RMB1. Given that the another 30% equity holder of Shanghai Friction, 上海厚途汽車科技有限公司 (Shanghai Houtu Automotive Technology Co., Ltd.*) ("Shanghai Houtu") has signed the statement of the voting undertaking, Shanghai Friction is accounted for as the subsidiary of the Group. By virtue of the voting undertaking, the Group has obtained power over Shanghai Friction from the voting rights granted.

The fair value of identifiable assets and liabilities of Shanghai Friction as at the date of acquisition were as follows:

	Unaudited Date of acquisition HK$'000
Property, plant and equipment	**191**
Other receivables	**105**
Cash and cash equivalents	**883**
Trade and other payables	**(1,178)**
Total identifiable assets acquired and liabilities assumed	**1**
Less: Non-controlling interest	**(1)**
	–
Cash consideration	**–**

Since the acquisition, Shanghai Friction contributed revenue of HK$1,039,000 and profit of HK$33,000 to the Group for the six-month period ended 30 June 2018.

In June 2018, Shanghai Houtu served a notice to the Group to revoke the statement of the voting undertaking. On 29 June 2018, the Group issued a letter to Shanghai Houtu consenting the revocation of the voting undertaking by Shanghai Houtu with effect from 30 June 2018. As a result, the Group ceased to have the control over Shanghai Friction. Meanwhile, the Group still has significant influence over Shanghai Friction and thus is accounted for as an associate upon loss of control.

* *English name for identification purpose only*

15. ACQUISITION AND DEEMED DISPOSAL OF A SUBSIDIARY *(Continued)*

As the Group has lost control over Shanghai Friction, it has derecognised the assets and liabilities of Shanghai Friction from the consolidated statement of financial position of the Group (deemed disposal); recognised the investment retained in Shanghai Friction at its fair value; and recognised the gain or loss associated with the loss of control attributable to the former controlling interest.

The net assets of Shanghai Friction at the date of the deem disposal were as follows:

	Unaudited Date of deemed disposal HK$'000
Property, plant and equipment	**175**
Other receivables	**523**
Cash and cash equivalents	**4**
Interest in an associate	**4,727**
Trade and other payables	**(3,035)**
	2,394
Less: Non-controlling interest	**(2,379)**
Carrying amount of the Group's interest in Shanghai Friction deemed disposed of	**15**
Interest in Shanghai Friction retained as an associate	**15**
Gain/loss on deemed disposal	**–**

16. CAPITAL COMMITMENT

As at 30 June 2018, the Group was committed to make capital injection into Shanghai Friction (note 15) amounted to RMB5,000,000 (equivalent to approximately HK$5,911,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

Sales of metal business

The Group processed approximately 195 tonnes (2017: 239 tonnes) of silver scrap for the six months ended 30 June 2018 of which represent decrease of 18.4% as compared with the same period of 2017. Revenue from sales of metal represent 100% (2017: 97%) from sale of silver products and the remaining were sale of tin in the same period of 2017.

Trading of electronic products

One of the Group's subsidiaries established in PRC has started operation of trading of electronic products in PRC since 2017. As our performance are highly dependent on source of electronic products from our suppliers, the business performance may fluctuate and may not as better as the same period of 2017. For the six months ended 30 June 2018, revenue of approximately HK$13,011,000 (2017: HK$52,827,000) has been generated and contributed to the Group.

Provision of merchandising support services

During the period, the Group has completed the acquisition of 50% equity interest in Shanghai Friction which is principally engaged in provision of merchandising support services for trading of automotive parts in the PRC. The merchandising support services were mainly provided to CYFC, a shareholder of 20% indirect equity interest in Shanghai Friction.

On 29 June 2018, the Group consent the revocation of the voting undertaking by Shanghai Houtu with effective from 30 June 2018 which resulted in losing control over Shanghai Friction. Shanghai Friction become an associate of the Company and the merchandising support services segment no longer be part of the Group since 30 June 2018.

Business Review *(Continued)*

Provision of money lending services

One of the Group's subsidiaries has obtained a money lenders license (under Money Lenders Ordinance, Chapter 163 of the Law of Hong Kong) since the year 2017 and is lawfully engaged in provision of money lending services in Hong Kong. For the six months ended 30 June 2018, the size of the business still small as the Group stand in prudent approach on money lending business to earn interest from our borrowers. As at 30 June 2018, the amount of loan receivable from a customer is secured by a property in Hong Kong.

Outlook

The Group will continue to carry on sales of metal, trading of electronic products and provision of money lending service in Hong Kong and PRC.

During the period, we have explored new sector of business of provision of merchandising support services for trading of automotive parts and started contribute revenue to the Group for an amount in approximate RMB844,000, equivalent to HK$1,039,000 for the six months ended 30 June 2018.

The management of the Group conducted an effective and in-depth review of the operation and prospects of all business units since May 2018 and concluded that the business segment of merchandising support services could not reach the appropriate scale and generate commensurate investment return due to lack of growth potential. On 29 June 2018, the Group issue an letter consenting that the revocation of the voting undertaking by Shanghai Houtu would be effective from 30 June 2018 and such business segment no longer be part of the Group.

The Group will keep looking for any opportunity for the development of new business, study cooperation opportunities with Chinese or international well-known companies, use of financial and capital instruments; extend new business areas; strive for sustainable development; and generate maximum returns for all the shareholders.

Financial Review

For the six months ended 30 June 2018, the Group had a total income of approximately HK$876.8 million (2017: HK$1,125.2 million), representing a decrease of 22.1% as compared with the same period of 2017. The Group recorded loss of approximately HK$7.7 million (2017: HK$9.4 million), the decrease in loss was mainly due to no finance cost incurred on convertible bonds which were fully converted during the year 2017.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Capital Structure, Liquidity and Financial Resources

As at 30 June 2018, the Group had cash and bank balances of approximately HK$109.7 million (31 December 2017: HK$46.6 million) and net current assets of approximately HK$97.8 million (31 December 2017: HK$110.0 million). As at 30 June 2018, the current ratio stood at 1.81 times (31 December 2017: 1.90 times).

The Group generally finances its operations primarily with internally generated cash and loan from a related company.

As at 30 June 2018, the Group had loan from a related company amounting to HK$27.2 million (31 December 2017: HK$27.2 million).

As at 30 June 2018, no banking facilities were granted to the Group (31 December 2017: HK$10 million). The Directors believed that the Group has adequate financial resources to fulfill its commitments and working capital requirements.

Gearing ratio

As at 30 June 2018, the gearing ratio of the Group, calculated as debt (being loan from a related company) divided by total equity was approximately 0.26 (31 December 2017: 0.24).

Charge on the Group's assets

As at 30 June 2018, 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

Save as disclosed under the section "Management Discussion and Analysis – Business Review" in relation to acquisition and deemed disposal of Shanghai Friction, there were no significant investment held as at 30 June 2018, nor other material acquisition and disposals of subsidiary during the six months ended 30 June 2018.

Capital commitment

As at 30 June 2018, the Group was committed to make capital injection to Shanghai Friction amounted to RMB5,000,000 (equivalent to approximately HK$5,911,000).

Foreign Exchange Exposure

Our sales, purchase and borrowings are predominantly denominated in United States dollars (US$) and Renminbi (RMB). The Directors considered that the Group had no significant exposure to foreign exchange fluctuations and believe it was not necessary to hedge against any exchange risk. Nevertheless, management will continue to monitor the foreign exchange exposure position and will take any future measures if appropriate.

Contingent liabilities

The Group did not have any material contingent liabilities, guarantees or any litigation or claims of material importance pending or threatened against any member of our Group as at 30 June 2018 and there has not been any material change in the contingent liabilities of the Group since 30 June 2018.

Employees and remuneration policy

As at 30 June 2018, the Group employed a total of 29 staff. The total of employee remuneration, including remuneration of the Directors, for the six months ended 30 June 2018 amounted to approximately HK$8.9 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.

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

As at 30 June 2018, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions

(a) Ordinary shares of the Company

Name of Director/ Chief Executive	Nature of Interests	Number of shares	% of shareholding
Felipe Tan ("Mr. Tan")	Interest of a controlled corporation & beneficial owner	40,510,000 (Note)	8.44%

Note: Mr. Tan directly and indirectly owned 69.37% equity interests in GobiMin Inc. which held 100% equity interests in GobiMin Investments Limited, which in turn held 100% equity interests in GobiMin Silver Limited, the substantial shareholder of the Company. By virtue of the SFO, Mr. Tan, GobiMin Inc. and GobiMin Investments Limited are deemed to have interest in the 40,260,000 ordinary shares of the Company held by GobiMin Silver Limited. Mr. Tan was granted by the Company 250,000 share options on 10 April 2015 pursuant to the Company's option scheme.

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

Name of Directors	Name of Associated Corporation	Nature of Interests	Number of Shares	% of Shareholding
Felipe Tan	Good Omen Investments Limited	Beneficial owner	100	100.00%
Felipe Tan	Belmont Holdings Group Limited	Interest of a controlled corporation & beneficial owner	10,250	100.00%
Felipe Tan	GobiMin Inc.	Interest of a controlled corporation & beneficial owner	34,689,000	69.37%
Felipe Tan	GobiMin Investments Limited	Interest of a controlled corporation	1,000	69.37%
Felipe Tan	GobiMin Silver Limited	Interest of a controlled corporation	1,000	69.37%

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

(Continued)

Long positions *(Continued)*

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

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

				Number of share options and underlying shares					
Name of Director	Grant Date	Exercise price per share HK$	Vesting and Exercise period	Outstanding as at 1.1.2018	Granted	Exercised	Cancelled	Lapsed	Outstanding as at 30.6.2018
Felipe Tan	10.4.2015	0.78	10.4.2015 – 9.4.2025	250,000	–	–	–	–	250,000
Tsang Wai Chun Marianna	10.4.2015	0.78	10.4.2015 – 9.4.2025	80,000	–	–	–	–	80,000
				330,000	–	–	–	–	330,000

Short Positions

As at 30 June 2018, no short positions of Directors or chief executives in the shares of the Company and its associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

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

As at 30 June 2018, the following persons/entities (other than the Directors and chief executives of the Company as disclosed above) have interest or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name	Nature of Interests	Number of ordinary shares	% of Shareholding
Hon Pok	Beneficial owner	76,000,000	15.83%
Belmont Holdings Group Limited	Interest of a controlled corporation	40,260,000	8.38%
GobiMin Inc.	Interest of a controlled corporation	40,260,000	8.38%
GobiMin Silver Limited	Beneficial owner	40,260,000	8.38%
Good Omen Investments Limited	Interest of a controlled corporation	40,260,000	8.38%

Save as disclosed above, no other interests or short positions of any persons/entities (other than the Directors and the chief executives of the Company) in the shares or underlying shares of the Company were recorded in the register or as otherwise notified to the Company and the Stock Exchange as at 30 June 2018.

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 1.1.2018	Granted	Exercised	Cancelled	Lapsed	Outstanding as at 30.6.2018
Directors	10.4.2015	0.78	10.4.2015 – 9.4.2025	330,000	–	–	–	–	330,000
Employees	10.4.2015	0.78	10.4.2015 – 9.4.2025	730,000	–	–	–	–	730,000
Others	10.4.2015	0.78	10.4.2015 – 9.4.2025	130,000	–	–	–	–	130,000
				1,190,000	–	–	–	–	1,190,000

The fair value of equity-settled share options granted was HK$0.319 per option, amounted to approximately HK$520,000 in aggregate. 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.

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 equity interests in (i) GobiMin Inc., which is principally engaged in the investment in equity, debt or other securities as well as direct ownership stakes in projects, including the development of mineral properties in Xinjiang, PRC, and shares of which are listed on the TSX Venture Exchange in Canada; and (ii) Timeless Software Limited ("Timeless"), which is principally engaged in the information technology business and mining business, and shares of which are listed on GEM, at 30 June 2018.

The Directors believe that the investments referred above are in completely different sectors from that of the Group and therefore do not and will not compete with the business of the Group. One of the business of the Group is trading of metals in Hong Kong, while GobiMin Inc. and its subsidiaries ("GobiMin Group") is involved in upstream activities of exploration and mining which involve entirely different technologies, machinery and expertise. Accordingly, the Group and GobiMin Group are positioned in different specialized segments of the industry. The products of GobiMin Group may be similar with that of the Group such as gold, but the market of GobiMin Group is in the PRC while the Group is in Hong Kong and overseas (excluding the PRC) and as such, our Directors consider that there is no overlapping in respect of the market between GobiMin Group and the Group. Furthermore, Timeless is mainly involved in the mining business which is entirely different from our metal processing and trading business.

Apart from those investments disclosed above, to the best knowledge of the Directors, none of the Directors, management, shareholders or substantial shareholders of the Company or any of its respective associates has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, as defined in the GEM Listing Rules, or has any other conflict of interests with the Group during the six months ended 30 June 2018.

CORPORATE GOVERNANCE

Code on Corporate Governance Practices

During the six months ended 30 June 2018, 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 specify 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 2018.

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.

Our Audit committee comprises three independent non-executive Directors, namely Ms. Dai Meihong, Dr. Wang Lin and Ms. Tsang Wai Chun Marianna. Ms. Dai Meihong is the chairlady of the Audit Committee.

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 Ms. Dai Meihong, Dr. Wang Lin and Ms. Tsang Wai Chun Marianna and two executive Directors, Mr. Wang Wendong and Mr. Lam Chi Chung, Tommy. Dr. Wang Lin is the chairlady of our Remuneration Committee.

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. Dai Meihong, Dr. Wang Lin and Ms. Tsang Wai Chun Marianna and two executive Directors, Mr. Zhu Hongguang and Mr. Wang Wendong. Mr. Wang Wendong is the chairman of the Nomination Committee.

Executive Committee

We established our Executive Committee on 19 December 2016 with written terms of reference. The Executive Committee is mainly responsible for monitoring the formulation, revision and implementation of the Company's strategic plan and monitor the operation of it subsidiaries.

Our Executive Committee comprises four executive Directors, namely Mr. Zhu Hongguang, Mr. Wang Wendong, Mr. Lam Chi Chung, Tommy, Mr. Tsang Zee Ho, Paul and key personnel of the Company. Mr. Tsang Zee Ho, Paul is the chairman of the Executive Committee.

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

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

Non-executive Director:
Mr. Zha Jianping

Independent non-executive Directors:
Ms. Dai Meihong
Dr. Wang Lin
Ms. Tsang Wai Chun Marianna

Hong Kong, 14 August 2018