



# 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  
2020

## **CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate small and mid-sized 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.**

**Given that the companies listed on GEM are generally small and mid-sized companies, 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 of Hong Kong Limited takes 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 of Loco Hong Kong Holdings Limited (the “**Company**”) (the “**Directors**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on 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](http://www.hkgem.com) for at least seven days from the date of its posting and on the Company's website at [www.locohkholdings.com](http://www.locohkholdings.com).*

## **CORPORATE INFORMATION**

### **Directors**

#### **Executive Directors**

Mr. Wang Wendong  
*(Chairman and Chief Executive Officer)*  
Mr. Fung Chi Kin

#### **Independent Non-Executive Directors**

Mr. Zhou Tianshu  
Ms. Wu Liyan  
Ms. Wong Susan Chui San

#### **Audit Committee**

Mr. Zhou Tianshu *(Chairman)*  
Ms. Wu Liyan  
Ms. Wong Susan Chui San

#### **Executive Committee**

Mr. Wang Wendong *(Chairman)*  
Mr. Fung Chi Kin  
Mr. Zhou Tianshu

#### **Remuneration Committee**

Ms. Wu Liyan *(Chairlady)*  
Mr. Wang Wendong  
Mr. Zhou Tianshu  
Ms. Wong Susan Chui San

#### **Nomination Committee**

Mr. Wang Wendong *(Chairman)*  
Mr. Zhou Tianshu  
Ms. Wu Liyan

#### **Hong Kong Legal Adviser**

Ashurst Hong Kong  
11/F, Jardine House  
1 Connaught Place  
Central, Hong Kong

### **Company Secretary**

Ms. Tang Yuen Ching, Irene

### **Compliance Officer**

Mr. Fung Chi Kin

### **Auditor**

HLB Hodgen Impey Cheng Limited

### **Share Registrar and Transfer Office**

Union Registrars Limited

### **Registered Office**

Unit 401, 4/F., Fairmont House,  
8 Cotton Tree Drive, Admiralty, Hong Kong

### **Listing**

GEM of The Stock Exchange of Hong Kong  
Limited

### **Stock Code**

8162

### **Authorised Representatives to the Stock Exchange**

Mr. Wang Wendong  
Ms. Tang Yuen Ching, Irene

### **Website**

[www.locohkholdings.com](http://www.locohkholdings.com)

### **Email**

[info@locohkholdings.com](mailto:info@locohkholdings.com)

The board of Directors (the “**Board**”) presents the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the three months and six months ended 30 June 2020, together with the comparative unaudited figures for the corresponding periods in 2019, as follows:

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited			
		Six months ended 30 June		Three months ended 30 June	
		2020	(restated) 2019	2020	(restated) 2019
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Revenue</b>					
– Sales of metal		–	179,976	–	74,798
– Education management services		820	–	208	–
– Interest income from customers and suppliers		9	4,798	–	2,323
– Processing fee		–	211	–	31
– Order commission		–	19	–	9
		<b>829</b>	185,004	<b>208</b>	77,161
Trading losses on commodity forward contracts		(126)	(2,719)	(104)	(2,009)
Other income		267	210	219	84
<b>Total income</b>		<b>970</b>	182,495	<b>323</b>	75,236
Carrying value of inventories sold		–	(179,694)	–	(74,242)
Change in fair value of commodity inventory		121	–	133	–
Depreciation of property, plant and equipment		(628)	(691)	(318)	(398)
Depreciation of right-of-use assets		(1,191)	(1,174)	(604)	(587)
Employee costs		(10,235)	(10,290)	(5,240)	(4,445)
Rental expenses		(579)	(390)	(579)	(195)
Loss on disposal of property, plant and equipment		–	(16)	–	(3)
Other operating expenses		(3,691)	(7,224)	(1,772)	(2,011)
Fair value losses on other financial assets		(2,486)	–	(2,486)	–
Provision of loss allowance on loan receivables		(1,420)	–	(1,420)	–
Reversal of provision of loss allowance on trade and other receivable		357	–	50	–
Share of profits of associates		60	4	22	4
Finance costs	6	(35)	(686)	(16)	(349)
Loss before income tax expense		<b>(18,757)</b>	(17,666)	<b>(11,907)</b>	(6,990)
Income tax credit	7	–	–	15	–
<b>Loss for the period</b>		<b>(18,757)</b>	(17,666)	<b>(11,892)</b>	(6,990)
<b>Loss for the period attributable to:</b>					
– Owners of the Company		(18,388)	(17,666)	(11,371)	(6,990)
– Non-controlling interests		(369)	–	(521)	–
		<b>(18,757)</b>	(17,666)	<b>(11,892)</b>	(6,990)

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

	Note	Unaudited			
		Six months ended 30 June		Three months ended 30 June	
		2020 HK\$'000	(restated) 2019 HK\$'000	2020 HK\$'000	(restated) 2019 HK\$'000
<b>Loss for the period</b>		<b>(18,757)</b>	(17,666)	<b>(11,892)</b>	(6,990)
<b>Other comprehensive (loss)/income</b>					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		<b>(531)</b>	193	<b>124</b>	19
<b>Total comprehensive loss for the period</b>		<b>(19,288)</b>	(17,473)	<b>(11,768)</b>	(6,971)
<b>Total comprehensive (loss)/income for the period attributable to:</b>					
– Owners of the Company		<b>(18,665)</b>	(17,475)	<b>(11,307)</b>	(6,973)
– Non-controlling interests		<b>(623)</b>	2	<b>(461)</b>	2
		<b>(19,288)</b>	(17,473)	<b>(11,768)</b>	(6,971)
		<b>HK cents</b>	HK cents	<b>HK cents</b>	HK cents
<b>Basic and diluted loss per share</b>	9	<b>(3.19)</b>	(3.23)	<b>(1.97)</b>	(1.21)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Unaudited 30 June 2020 HK\$'000	Audited 31 December 2019 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		2,778	2,985
Right-of-use assets		2,231	3,000
Interest in an associate	10	8,051	7,991
Other financial assets	11	14,800	17,286
		<b>27,860</b>	31,262
<b>Current assets</b>			
Inventories		1,561	224
Trade and other receivables and prepayments	12	5,036	28,090
Loan receivable		3,409	4,829
Cash and cash equivalents		32,827	28,724
		<b>42,833</b>	61,867
<b>Current liabilities</b>			
Other payables and accruals	13	2,079	2,088
Derivative financial liabilities		126	–
Tax payable		–	4,882
Lease liabilities		2,146	2,280
		<b>4,351</b>	9,250
<b>Net current assets</b>		<b>38,482</b>	52,617
<b>Total assets less current liabilities</b>		<b>66,342</b>	83,879
<b>Non-current liabilities</b>			
Lease liabilities		196	871
		<b>196</b>	871
<b>Net assets</b>		<b>66,146</b>	83,008
<b>Equity</b>			
Share capital		144,480	144,480
Reserves		(87,096)	(70,365)
<b>Equity attributable to the owners of the Company</b>		<b>57,384</b>	74,115
Non-controlling interests		8,762	8,893
<b>Total equity</b>		<b>66,146</b>	83,008

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited								
	Share capital HK\$'000	Merger reserve HK\$'000	Share option reserve HK\$'000	Statutory reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Equity attributable to owners of the Company HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
As at 31 December 2018 (originally stated)	122,898	(1,357)	380	-	(183)	(39,284)	82,454	-	82,454
Effect of adoption of HKFRS16	-	-	-	-	-	(24)	(24)	-	(24)
<b>At 1 January 2019</b>	<b>122,898</b>	<b>(1,357)</b>	<b>380</b>	<b>-</b>	<b>(183)</b>	<b>(39,308)</b>	<b>82,430</b>	<b>-</b>	<b>82,430</b>
Loss for the period	-	-	-	-	-	(17,666)	(17,666)	-	(17,666)
Other comprehensive income:									
Exchange differences on translating foreign operations	-	-	-	-	191	-	191	2	193
Total comprehensive income/(loss) for the period	-	-	-	-	191	(17,666)	(17,475)	2	(17,473)
Capital injection by non-controlling interest	-	-	-	-	-	-	-	509	509
Issue of placing shares	23,136	-	-	-	-	-	23,136	-	23,136
Transaction costs attributable to issue of placing shares	(1,554)	-	-	-	-	-	(1,554)	-	(1,554)
Lapsed share options	-	-	(118)	-	-	118	-	-	-
<b>At 30 June 2019</b>	<b>144,480</b>	<b>(1,357)</b>	<b>262</b>	<b>-</b>	<b>8</b>	<b>(56,856)</b>	<b>86,537</b>	<b>511</b>	<b>87,048</b>
<b>At 1 January 2020</b>	<b>144,480</b>	<b>(1,357)</b>	<b>4,135</b>	<b>-</b>	<b>(16)</b>	<b>(73,127)</b>	<b>74,115</b>	<b>8,893</b>	<b>83,008</b>
Loss for the period	-	-	-	-	-	(18,388)	(18,388)	(369)	(18,757)
Other comprehensive loss:									
Exchange differences on translating foreign operations	-	-	-	-	(277)	-	(277)	(254)	(531)
Total comprehensive loss for the period	-	-	-	-	(277)	(18,388)	(18,665)	(623)	(19,288)
Capital injection by non-controlling interest	-	-	-	-	-	-	-	492	492
Transfer of statutory reserve	-	-	-	1,643	-	(1,643)	-	-	-
Lapsed share option	-	-	(127)	-	-	127	-	-	-
Recognition of equity-settled share-based payments	-	-	1,934	-	-	-	1,934	-	1,934
<b>At 30 June 2020</b>	<b>144,480</b>	<b>(1,357)</b>	<b>5,942</b>	<b>1,643</b>	<b>(293)</b>	<b>(93,031)</b>	<b>57,384</b>	<b>8,762</b>	<b>66,146</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<b>Unaudited Six months ended 30 June</b>	
	<b>2020 HK\$'000</b>	2019 HK\$'000
<b>Cash flows from operating activities</b>		
Loss before income tax	<b>(18,757)</b>	(17,666)
Adjustment for:		
Change in fair value of commodity inventories	<b>(121)</b>	–
Depreciation of property, plant and equipment	<b>628</b>	691
Depreciation of right-of-use assets	<b>1,191</b>	1,174
Employee share option expenses	<b>1,934</b>	–
Fair value losses on other financial assets	<b>2,486</b>	–
Interest income	<b>(22)</b>	(102)
Interest expenses	<b>35</b>	686
Loss on disposal of property, plant and equipment	<b>–</b>	16
Provision of loss allowance on loan receivable	<b>1,420</b>	–
Reversal of provision of loss allowance on trade and other receivables	<b>(357)</b>	–
Share profit of associates	<b>(60)</b>	(4)
Trading losses on commodity forward contracts	<b>126</b>	2,719
<b>Operating cash flows before changes in working capital</b>	<b>(11,497)</b>	(12,486)
(Increase)/decrease in inventories	<b>(1,216)</b>	40,329
Decrease/(increase) in trade and other receivables and prepayments	<b>23,467</b>	(1,609)
Decrease in other payables, accruals and deposits received	<b>(9)</b>	(26,041)
Cash generated from operations	<b>10,745</b>	193
Income taxes paid	<b>(4,882)</b>	–
<b>Net cash generated from operating activities</b>	<b>5,863</b>	193
<b>Cash flows from investing activities</b>		
Interest received	<b>14</b>	95
Investment in an associate	<b>–</b>	(8,000)
Investments in other financial assets	<b>–</b>	(15,420)
Proceeds from disposal of property, plant and equipment	<b>–</b>	2
Purchases of property, plant and equipment	<b>(419)</b>	(3,104)
<b>Net cash used in investing activities</b>	<b>(405)</b>	(26,427)



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
<b>Cash flows from financing activities</b>		
Capital injected into a subsidiary by non-controlling interest	<b>492</b>	509
Interest element of lease payment paid	<b>(35)</b>	(65)
Interest paid	–	(621)
Issuance cost attributable to issue of placing shares	–	(1,554)
Proceeds from issue of new shares by way of placements	–	23,136
Repayments of borrowings	–	(4,100)
Repayments of capital element of lease payment	<b>(1,230)</b>	(1,184)
Repayments of loans from related companies	–	(16,235)
Repayments to related companies	–	(4,173)
<b>Net cash used in financing activities</b>	<b>(773)</b>	(4,287)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>4,685</b>	(30,521)
<b>Cash and cash equivalents at beginning of the period</b>	<b>28,724</b>	82,288
Effect of foreign exchange rate changes	<b>(582)</b>	183
<b>Cash and cash equivalents at end of the period</b>	<b>32,827</b>	51,950

# 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 Unit 401, 4/F., Fairmont House, 8 Cotton Tree Drive, Admiralty, Hong Kong.

The Company and its subsidiaries (collectively the “**Group**”) are principally engaged in provision of education management services, trading of metal and commodity forward contracts and provision of money lending services, which are conducted in the mainland of the People’s Republic of China (the “**PRC Mainland**”) and in Hong Kong.

The condensed consolidated interim financial statements of the Group for the six months ended 30 June 2020 are presented in thousands of units of Hong Kong dollars (“**HK\$’000**”), unless otherwise stated. These condensed consolidated interim financial statements were authorised for issue by the Directors on 11 August 2020.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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 GEM Listing Rules.

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 2019 (the “**2019 annual financial statements**”).

These condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the 2019 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 2020. The adoption of these new or revised HKFRSs has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated interim financial statements. 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 have not been audited, but have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS** *(Continued)*

### **2. BASIS OF PREPARATION AND ACCOUNTING POLICIES** *(Continued)*

The financial information relating to the year ended 31 December 2019 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 2019 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 2019. 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.

### **3. 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 2019 annual financial statements.

### **4. SEGMENTS INFORMATION**

The Group determines its operating segments based on the reports reviewed by the executive directors of the Company, who are the chief operating decision-maker that are used to make strategic decision. The Group manages its business by divisions, which are organised by business lines.

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:

- Education management services – Provision of education management services in the PRC Mainland.
- Trading of metal – Sales of metal and interest income from forward arrangements in Hong Kong.
- Money lending – Provision of money lending service in Hong Kong.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 5. OPERATING SEGMENTS INFORMATION

#### (a) Business segments

	Unaudited			
	Trading of metal HK\$'000	Money lending HK\$'000	Education management services HK\$'000	Total HK\$'000
<b>Six months ended 30 June 2020</b>				
Reportable segment revenue <i>(note (i))</i>	-	9	820	829
Reportable segment loss	(1,896)	(1,532)	(625)	(4,053)
<b>As at 30 June 2020</b>				
Reportable segment assets	21,350	7,350	27,644	56,344
Reportable segment liabilities	840	181	240	1,261

	Unaudited			
	Trading of metal HK\$'000	Money lending HK\$'000	Education management services HK\$'000	Total HK\$'000
<b>Six months ended 30 June 2019 (restated)</b>				
Reportable segment revenue <i>(note (i))</i>	184,695	309	-	185,004
Reportable segment (loss)/profit	(9,265)	114	-	(9,151)
<b>As at 31 December 2019 (Audited)</b>				
Reportable segment assets	23,437	5,850	28,692	57,979
Reportable segment liabilities	1,031	266	5,708	7,005

*Notes:*

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 5. OPERATING SEGMENTS INFORMATION (Continued)

#### (b) Reconciliation of reportable segment results

	Unaudited Six months ended 30 June	
	2020 HK\$'000	(restated) 2019 HK\$'000
Reportable segment loss	(4,053)	(9,151)
Depreciation of property, plant and equipment	(225)	(268)
Depreciation of right-of-use assets	(776)	(760)
Interest expenses	(22)	(72)
Employee costs	(7,757)	(4,718)
Loss on disposal of property, plant and equipment	–	(16)
Fair value losses on other financial assets	(2,700)	–
Other unallocated corporate expenses	(3,224)	(2,681)
Loss before income tax expense	<b>(18,757)</b>	(17,666)

#### (c) Disaggregation of revenue

	Unaudited Six months ended 30 June							
	Trading of metal		Money lending		Education managements services		Total	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Primary geographical markets								
Singapore	–	60,310	–	–	–	–	–	60,310
Hong Kong	–	62,266	9	309	–	–	9	62,575
Australia	–	15,498	–	–	–	–	–	15,498
Japan	–	46,580	–	–	–	–	–	46,580
PRC (exclude Hong Kong)	–	41	–	–	820	–	820	41
	–	184,695	9	309	820	–	829	185,004

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 6. FINANCE COSTS

	Unaudited			
	Six months ended 30 June		Three months ended 30 June	
	2020 HK\$'000	(restated) 2019 HK\$'000	2020 HK\$'000	(restated) 2019 HK\$'000
Interests on bank loans and other borrowing	-	30	-	-
Interests on loan from a related company	-	591	-	318
Interest expenses on lease liabilities	35	65	16	31
	35	686	16	349

### 7. INCOME TAX CREDIT

The amount of the income tax credit represents the following:

	Unaudited			
	Six months ended 30 June		Three months ended 30 June	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Current tax	-	-	15	-

Hong Kong Profits Tax is calculated at 16.5% (2019: 16.5%) on the estimated assessable profits for the period. No provision for Hong Kong Profits Tax has been made in the condensed consolidated interim financial statements as the Group incurred tax losses for the period.

Under the law of the PRC Mainland on Enterprise Income Tax (the “**EIT Laws**”) and Interpretation Regulation of the EIT Laws, the tax rate of the PRC Mainland subsidiaries is 25% for the period.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 8. DIVIDENDS

The Board does not recommend the payment of any dividend of the Company for the six months ended 30 June 2020 (2019: 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	
	2020 HK\$'000	(restated) 2019 HK\$'000	2020 HK\$'000	(restated) 2019 HK\$'000
Loss for the purpose of basic loss per share	<b>(18,388)</b>	(17,666)	<b>(11,371)</b>	(6,990)
Weighted average number of ordinary shares for the purpose of basic loss per share	<b>576,170,000</b>	546,468,343	<b>576,170,000</b>	576,170,000

For the three months and six months ended 30 June 2020 and 2019, 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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 10. INTEREST IN AN ASSOCIATE

	<b>Unaudited 30 June 2020 HK\$'000</b>	Audited 31 December 2019 HK\$'000
Share of net assets	<b>8,051</b>	7,991

Investment in an associate is accounted for using the equity method in the condensed consolidated interim financial statements.

Details of the Group's associate is as follow:

Name	Particulars of issued shares held	Place of incorporation and operation and principal activity	Percentage of equity interest attributable to the Group	
			30 June 2020	31 December 2019
Loco Precious Metal Limited Ordinary shares ("LPM") <i>(Note)</i>		Trading of metal in Hong Kong	40%	40%

*Note:* During the year ended 31 December 2019, 100% equity interest in LPM was diluted to 40% by new capital injected by the Group and a third-party amounting to approximately HK\$7,990,000 and HK\$12,000,000 respectively. Subsequent to the deemed disposal interest in LPM, it is accounted as interest in an associate due to loss of its controlling stake at LPM accordingly.

During the six months ended 30 June 2020, the Group shared the profit of the associate of approximately HK\$60,000 (2019: HK\$4,000).



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 11. OTHER FINANCIAL ASSETS

	Unaudited 30 June 2020 HK\$'000	Audited 31 December 2019 HK\$'000
Financial assets measured at fair value through profit or loss (“ <b>FVTPL</b> ”)		
– Unlisted equity securities A <i>(note a)</i>	7,800	10,500
– Unlisted equity securities B <i>(note b)</i>	7,000	6,786
	<b>14,800</b>	17,286

*Notes:*

- (a) The unlisted equity securities A are 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 2020, the Group held 16.7% equity interest in Grand Max (31 December 2019: 16.7%).
- (b) The unlisted equity securities B are shares in Lexus Group (Asia) Limited (“**Lexus**”), a company incorporated in Hong Kong which is currently trading gold, silver and other precious and base metals. As at 30 June 2020, the Group held 18% equity interest in Lexus (31 December 2019: 18%).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	Unaudited 30 June 2020 HK\$'000	Audited 31 December 2019 HK\$'000
Trade receivables	217	21,006
Less: provision for loss allowance	(3)	(310)
Trade receivables – net ( <i>note</i> )	214	20,696
Loan interest receivable	893	893
Less: provision for loss allowance	(325)	(325)
Loan interest receivable – net	568	568
Other receivables and deposits	3,535	6,621
Less: provision for loss allowance	(23)	(79)
Other receivables and deposits – net	3,512	6,542
Prepayments	742	284
	<b>5,036</b>	28,090

*Note:* **Trade receivables**

The credit period granted to customers are 3 months generally.

The aging analysis of the trade receivables based on the date of demand note is as follows:

	Unaudited 30 June 2020 HK\$'000	Audited 31 December 2019 HK\$'000
0 – 30 days	214	20,696

None of these receivables were past due.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 13. OTHER PAYABLES AND ACCRUALS

	Unaudited 30 June 2020 HK\$'000	Audited 31 December 2019 HK\$'000
Other payables and accruals	2,079	2,088
	<b>2,079</b>	2,088

### 14. 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	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Interest charged on loan granted to the Group <i>(note (i))</i>	-	591	-	318
Office rental and other related expenses charged to the Group <i>(note (ii))</i>	-	455	-	225
Interest and commission income charged by the Group for entering into forward arrangements <i>(note (iii))</i>	-	10	-	-
Donation by the Group <i>(note (iv))</i>	-	500	-	500

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 14. RELATED PARTY TRANSACTIONS *(Continued)*

(a) *(Continued)*

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.
  - (iv) Donation was made to a charitable company in which Mr. Tan acts as one of the founder members.
  - (v) Mr. Felipe Tan, an executive Director of the Company has resigned on 20 July 2019.
- (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	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Short-term employee benefits	3,055	5,372	1,463	1,825
Contributions to pension scheme	17	27	8	13
	<b>3,072</b>	5,399	<b>1,471</b>	1,838

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 15. FINANCIAL INSTRUMENTS

#### (a) Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, trade and other receivables, loan receivable and other payables and accrual. 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 2020			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets at FVTPL:				
– Unlisted equity securities	–	–	14,800	14,800
Financial liabilities at FVTPL:				
– Commodity forward contracts	–	126	–	126
	Audited 31 December 2019			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets at FVTPL:				
– Unlisted equity securities	–	–	17,286	17,286

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 15. FINANCIAL INSTRUMENTS *(Continued)*

#### **(b) Financial instruments measured at fair value *(Continued)***

During the six months ended 30 June 2020, 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.

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.

In estimating the fair value of the unlisted equity securities, the Group engaged an independent third-party qualified valuers to perform the valuation. Management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model based on market conditions existing at the end of each reporting period. The management reports the management's findings to the board of directors of the Company to explain the cause of fluctuations in the fair value of the unlisted equity securities.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

For the six months ended 30 June 2020 (“**1H2020**” or “**Current Period**”), the Group’s principal activities were engaged in the provision of education management services in the mainland of the People’s Republic of China (the “**PRC Mainland**”); sales of metal and provision of money lending services in Hong Kong. For the six months ended 30 June 2019 (“**1H2019**” or “**Previous Period**”), the Group was principally engaged in sales of metal and provision of money lending services in Hong Kong.

### *Provision of education management services*

During the Current Period, our indirect subsidiary, 四川港銀雅滙教育管理有限公司 (Sichuan Loco Yahui Education Management Limited\*) (“**Loco Yahui**”), was principally engaged in the provision of exclusive management and consulting services to various schools in the PRC Mainland. Since the outbreak of the COVID-19 pandemic in the PRC Mainland, followed globally in mid-January 2020, there was substantial disruption in the general social and commercial activities in the PRC Mainland. The business segment and its respective operations were inevitably affected. Due to the mandatory measures imposed by the relevant departments, schools and training organisations were suspended during most of the time in the Current Period, this business segment only managed to contribute approximately HK\$0.8 million to the Group’s revenue compared to nil in the Previous Period as this business segment was not commenced in the Previous Period. With the effective controls on social distancing in the PRC Mainland, certain mandatory measures on social lock down and distancing were uplifted by phases in mid-2020 and hence certain schools and training organisations could resume lectures and courses by stages. We hope that more lectures and courses could be resumed by our business alliances as the COVID-19 pandemic to be further controlled by the PRC Government.

### *Sales of metal*

During the Current Period, the general global economic condition remained volatile and challenging given the backdrop of the ongoing Sino-US trade disputes and the added impact of the Brexit situation. While the Group attempted to explore other business opportunities in this business segment during the Current Period, the price trend in the precious metal for gold and silver continued to be volatile, rising significantly during the Current Period due to the negative outlook from the abovementioned economic uncertainties. Further, competition in the trading of silver scrap (non-standard) products remained fierce with the shortage in supply accompanied with the obviously weakening demand for physical silver. In view of the stringent condition of the COVID-19 pandemic in Hong Kong, also affected the import and export industry as well as logistic business in general, enhancing the settlement risks significantly. As the Group continued to adhere to its risk control policies, it was perceived that the business risk in this division remains volatile and hence income generated during the Current Period was nil for this business segment (2019: HK\$184.7 million). Since the impact of the global COVID-19 pandemic is yet to be resolved, the global economic outlook recovery remains uncertain and not optimistic, we hope that there may be improvement in the current market condition when the impact of the global COVID-19 pandemic becomes more controllable.

\* *English name for identification purpose only*

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)*

### **Business Review** *(Continued)*

#### ***Provision of money lending services***

During the Current Period, the impact of the global COVID-19 pandemic caused a general suspension in economic activities and the strict measures adopted for social distancing in general led to the worsening of individual employment and a significant drop in business operations. Similarly, the PRC Mainland market was also affected and hence the credit risk in the money lending services was perceived to be higher accordingly. Given the stringent economic and business outlook, the Group strictly adhered to cautious credit assessment and reviewed the Group's policies by timely assessing existing and potential clients' credit profile with reference to the then market condition and their respective background. In view of the current uncertain economic condition that affected projection on assets valuation, business forecasts and individual's repayment abilities, the Group continued to adopt a prudent approach in selecting qualified credit applicants for potential business opportunities. Accordingly, there was a significant decrease in revenue for this business division for the Current Period as compared to the Previous Period by approximately HK\$0.3 million.

#### **Outlook**

In view of the current social and economic challenges encountered in the PRC Mainland and globally, the Group believed that the strategies to explore appropriate new business and regional markets in order to mitigate overall business risks is the proper approach for sustainable operation. We hope the business segment in the provision of education management in the PRC Mainland introduced in the second half of 2019 will provide positive contribution to the Group, while the COVID-19 pandemic in the PRC Mainland remains stable and controlled. The business segments of sales of metal and money lending requires cautious assessment. The Group will continue to explore further opportunities to strengthen business and market presence in our segment of provision of education management as well as to manage our businesses of sales of metal and money lending on a cautious and prudent basis. All in all, the Group will continue to strive for balance in further developing our existing business model whereas securing the return and value of the shareholders of the Company as a whole.



## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### Financial Review

For the six months ended 30 June 2020, the Group had a total revenue of approximately HK\$829,000 (2019: HK\$185 million), representing a decrease of approximately 99.6% as compared with 2019. For the six months ended 30 June 2020, the Group recorded a loss of approximately HK\$18.8 million (2019: HK\$17.7 million), representing an increase of approximately 6.2% as compared with 2019. The increase in loss was mainly attributable to net effect of:

- (i) a significant decrease in the Group's total revenue of approximately 99.6% as discussed above;
- (ii) for the six months ended 30 June 2020, the carrying value of inventories sold was recognised at zero (2019: approximately HK\$179.7 million) due to the fact that no sales of metal was conducted;
- (iii) the fair value loss on investment in unlisted equity securities of approximately HK\$2.5 million;
- (iv) provision of loss allowance of approximately HK\$1.4 million provided on loan receivable;
- (v) a decrease in trading losses on commodity forward contracts of approximately HK\$2.6 million; and
- (vi) a decrease in other operating expenses of approximately HK\$3.5 million, mainly due to the fact that no metal sales was conducted during the period.

For six months ended 30 June 2020, the Group's loss attributable to owners of the Company was approximately HK\$18.4 million, as compared to the loss attributable to owners of the Company of approximately HK\$17.7 million for 2019.

### Capital Structure, Liquidity and Financial Resources

As at 30 June 2020, the Group had cash and bank balances of approximately HK\$32.8 million (31 December 2019: HK\$28.7 million) and net current assets of approximately HK\$38.5 million (31 December 2019: HK\$52.6 million). As at 30 June 2020, the current ratio stood at 9.84 times (31 December 2019: 6.69 times).

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

As at 30 June 2020, the Group had no outstanding borrowings (31 December 2019: Nil).

As at 30 June 2020, no banking facilities were granted to the Group (31 December 2019: nil). The Directors believed that the Group had adequate financial resources to fulfill its commitments and working capital requirements.

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)*

### **Gearing ratio**

The Group monitors capital on the basis of the net gearing ratio. This ratio is calculated as net debt divided by total capital.

As at 30 June 2020, no gearing ratio was presented as the Group has net cash surplus (31 December 2019: net cash surplus).

### **Charge on the Group's assets**

As at 30 June 2020, no Group's asset was pledged as security (31 December 2019: Nil).

### **Future Plan for Material Investments and Capital Assets**

As at 30 June 2020, the Group did not have any concrete plan for material investments or capital assets.

### **Significant investments, acquisitions and disposals**

During the six months ended 30 June 2020, the Group did not have any significant investments, acquisitions and disposals.

### **Capital commitment**

As at 30 June 2020, the Group did not have any significant capital commitment (31 December 2019: Nil).

### **Foreign Exchange Exposure**

Our sales, purchase and borrowings are predominantly denominated in HK\$, United States dollars and Renminbi. The Directors considered that the Group had no significant exposure to foreign exchange fluctuations and believed 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**

As at 30 June 2020, 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 (31 December 2019: Nil) and there has not been any material change in the contingent liabilities of the Group since 30 June 2020.

### **Employees and remuneration policy**

As at 30 June 2020, the Group employed a total of 31 staff (31 December 2019: 28). The total of employee remuneration, including remuneration of the Directors, for the six months ended 30 June 2020 amounted to approximately HK\$10.2 million (2019: HK\$10.3 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 2020, 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 and underlying ordinary shares of the Company

Name of Directors/chief executives	Nature of interests	Number of ordinary shares held	Number of underlying ordinary shares of the Company held (Note 1)	Total	Approximate percentage of shareholding (Note 2)
<b>Executive Directors:</b>					
Mr. Wang Wendong	Beneficial Owner	–	5,700,000	5,700,000	0.99%
Mr. Fung Chi Kin	Beneficial Owner	–	5,700,000	5,700,000	0.99%
<b>Independent Non-Executive Directors:</b>					
Mr. Zhou Tianshu	Beneficial Owner	–	570,000	570,000	0.10%
Ms. Wu Liyan	Beneficial Owner	–	570,000	570,000	0.10%
Ms. Wong Susan Chui San	Beneficial Owner	–	570,000	570,000	0.10%

*Note 1:* These are share options granted by the Company to the Directors under the Scheme on 27 August 2019. The details of the grant are set out in the section headed "Equity-linked Agreements – Share option scheme" in the Report of the Directors of the 2019 Annual Report of the Company. The particulars of the Directors' interests in share options are set out in part (b) below.

*Note 2:* The approximate percentage of shareholding was calculated based on the total number of ordinary shares in issue, being 576,170,000 shares as at 30 June 2020.

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

(Continued)

### Long positions (Continued)

#### (b) Interests in share options relating to ordinary shares of the Company

Name of Directors	Date of grant	Exercise price per share HK\$	Exercise period	Number of share options and underlying shares					Outstanding as at 30.6.2020
				Outstanding as at 1.1.2020	Granted	Exercised	Cancelled	Lapsed	
Mr. Wang Wendong	27.8.2019	0.616	27.8.2019 – 26.8.2022 (Note 3)	5,700,000	-	-	-	-	5,700,000
Mr. Fung Chi Kin	27.8.2019	0.616	27.8.2019 – 26.8.2022 (Note 3)	5,700,000	-	-	-	-	5,700,000
Mr. Lau Yuen Sun Adrian (Note 1)	27.8.2019	0.616	27.8.2019 – 26.8.2022 (Note 3)	570,000	-	-	-	(570,000)	-
Mr. Zhou Tianshu	27.8.2019	0.616	27.8.2019 – 26.8.2022 (Note 2)	570,000	-	-	-	-	570,000
Ms. Wu Liyan	27.8.2019	0.616	27.8.2019 – 26.8.2022 (Note 2)	570,000	-	-	-	-	570,000
Ms. Wong Susan Chui San	27.8.2019	0.616	27.8.2019 – 26.8.2022 (Note 2)	570,000	-	-	-	-	570,000
				13,680,000	-	-	-	(570,000)	13,110,000

Note 1: Mr. Lau Yuen Sun Adrian resigned as an independent non-executive director of the Company on 6 May 2020.

Note 2: The share options granted vest to the Directors at the date of grant (i.e. 27 August 2019), the first and second anniversary of the date of grant (i.e. 27 August 2020 and 27 August 2021, respectively) at an average amount and the share options once vested shall be exercisable on a cumulative basis.

### Short Positions

As at 30 June 2020, 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 2020, 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 (Note)
Hon Pok	Beneficial owner	76,000,000	13.19%
Chu Fong	Beneficial owner	46,000,000	7.98%
Lin Chenchen	Beneficial owner	45,000,000	7.81%
Ho Ming Jing	Beneficial owner	29,730,000	5.16%

Note: The approximate percentage of shareholding was calculated based on the total number of ordinary shares in issue, being 576,170,000 shares as at 30 June 2020.

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 2020.

## SHARE OPTIONS

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

Type of Participants	Grant Date	Exercise price per share HK\$	Exercise period	Number of share options and underlying shares				Outstanding as at 30.6.2020	
				Outstanding as at 1.1.2020	Granted	Exercised	Cancelled		Lapsed
Directors	27.8.2019	0.616	27.8.2019 – 26.8.2022 (Note)	13,680,000	-	-	-	(570,000)	13,110,000
Employees	10.4.2015	0.78	10.4.2015 – 9.4.2025	200,000	-	-	-	(40,000)	160,000
	27.8.2019	0.616	27.8.2019 – 26.8.2022 (Note)	24,000,000	-	-	-	(500,000)	23,500,000
Others	10.4.2015	0.78	10.4.2015 – 9.4.2025	120,000	-	-	-	-	120,000
				38,000,000	-	-	-	(1,110,000)	36,890,000

Note: The share options granted vest to the grantees at the date of grant (i.e. 27 August 2019), the first and second anniversary of the date of grant (i.e. 27 August 2020 and 27 August 2021, respectively) at an average amount, the share options once vested shall be exercisable on a cumulative basis.

## SHARE OPTIONS *(Continued)*

The fair value of equity-settled share options granted during the year ended 31 December 2015 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
Exercise price	HK\$0.78
Volatility	45.90%
Risk-free interest rate	1.09%
Dividend yield	0%
Expected life of option	5 years

The fair value of equity-settled share options granted during the year ended 31 December 2019 were HK\$0.211, HK\$0.212 and HK\$0.213 per option each for three tranches which will be vested on 27 August 2019, 27 August 2020 and 27 August 2021, respectively, amounted to approximately HK\$7,984,000 in aggregate. The fair values were estimated as at 27 August 2019, being the date of grant, using the Binomial 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\$0.60
Exercise price	HK\$0.616
Volatility	52.68%
Risk-free interest rate	1.31%
Dividend yield	0%
Early exercise multiplier	2.80
Expected option life	3 years

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 six months ended 30 June 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **COMPETITION AND CONFLICT OF INTEREST**

During the six months ended 30 June 2020, 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 had 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.

## **CORPORATE GOVERNANCE**

### **Code on Corporate Governance Practices**

During the six months ended 30 June 2020, to the best knowledge of the Board, the Company had complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 of the GEM Listing Rules ("**Code Provisions**"), save for the deviation from A.2.1 of the Code Provisions as explained below.

A.2.1 of the Code Provisions stipulates that the roles of chairman and chief executive officer should be separated. Currently, Mr. Wang Wendong holds both positions. Since Mr. Wang Wendong joined the Company in May 2018, he has held the key leadership position of the Group and has been involved in the formulation of corporate strategies and management of business and operations of the Group gradually. Taking into account the consistent leadership within the Group and in order to enable more effective and efficient overall strategic planning and continuation of the implementation of such plans, the Directors (including independent non-executive Directors) consider that Mr. Wang Wendong is the best candidate for both positions and the present arrangements are beneficial and in the interests of the Group and the shareholders as a whole.

## **CORPORATE GOVERNANCE** *(Continued)*

### **Code of Conduct Regarding Securities Transactions by Directors**

The Company has adopted a code of conduct regarding securities transactions carried out by Directors, that is not laxer than relevant standards of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries to all Directors, they confirmed they had complied with the standards of dealings and the code of conduct regarding securities transactions carried out by Directors, adopted by the Company throughout the six months ended 30 June 2020.

### **Audit Committee**

The Company established the Audit Committee on 22 July 2014 with written terms of reference that was amended and adopted with effect from 2 January 2019 in compliance with C.3 of the Code Provisions. The duties of the Audit Committee include reviewing, in draft form, our annual report and accounts, half-yearly report and quarterly report and providing advice and comments to the Board. In this regard, members of the Audit Committee will liaise with the Board, our senior management and auditors. The Audit Committee will also consider any significant or usual items that are, or may need to be, reflected in such reports and accounts and give consideration to any matters that have been raised by our accounting staff, compliance officers or auditors. Members of the Audit Committee are also responsible for reviewing our Company's financial reporting process, risk management and internal control systems.

As at the date of this report, the Audit Committee comprises three independent non-executive Directors, namely Mr. Zhou Tianshu (Chairman), Ms. Wu Liyan and Ms. Wong Susan Chui San.

The Audit Committee has reviewed this interim report, including the condensed consolidated interim financial statements of the Group for the six months ended 30 June 2020, prior to recommending them to the Board for approval.

### **Remuneration Committee**

The Company established the remuneration committee (the "**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.

As at the date of this report, the Remuneration Committee comprises one executive Director, namely Mr. Wang Wendong, and three independent non-executive Directors, namely Ms. Wu Liyan (Chairlady), Mr. Zhou Tianshu and Ms. Wong Susan Chui San.



## **CORPORATE GOVERNANCE** *(Continued)*

### **Nomination Committee**

The Company established the nomination committee (the “**Nomination Committee**”) on 22 July 2014 with written terms of reference that was amended and adopted with effect from 2 January 2019 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 period, the diversity of the Board members was achieved by considering of a number of aspects, including but not limited to gender, age, culture and education background, professional experience, skills, knowledge and length of service 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.

As at the date of this report, the Nomination Committee comprises one executive Director, namely Mr. Wang Wendong (Chairman) and two independent non-executive Directors, namely Mr. Zhou Tianshu and Ms. Wu Liyan.

### **Executive Committee**

The Company established the executive committee (the “**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 its subsidiaries.

As at the date of this report, the Executive Committee comprises two executive Directors, namely Mr. Wang Wendong (Chairman) and Mr. Fung Chi Kin and one independent non-executive Director, namely Mr. Zhou Tianshu.

## **UPDATE OF DIRECTOR INFORMATION**

Except for details disclosed below, there has been no update in the biographical details of the Directors further to those disclosed in the 2019 Annual Report of the Company.

Mr. Fung Chi Kin (“**Mr. Fung**”), aged 71, has been appointed as an executive Director since June 2019 and also appointed as the compliance officer of the Company in August 2019. On 1 August 2020, Mr. Fung has resigned as independent non-executive director of Geotech Holdings Ltd., (stock code: 1707), a company listed on the main board of the Stock Exchange.

By order of the Board  
**Loco Hong Kong Holdings Limited**  
**Wang Wendong**  
*Chairman and Chief Executive Officer*

Hong Kong, 11 August 2020

*As at the date of this report, the executive Directors are Mr. Wang Wendong and Mr. Fung Chi Kin; and the independent non-executive Directors are, Mr. Zhou Tianshu, Ms. Wu Liyan and Ms. Wong Susan Chui San.*