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

*(incorporated in Hong Kong with limited liability)*

**(Stock Code: 8162)**

**ANNOUNCEMENT OF ANNUAL RESULTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**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.**

*This announcement, for which the directors (the “**Directors**”) of Loco Hong Kong Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) 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 announcement 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 announcement misleading.*

*This announcement shall remain on the “Latest Listed Company Information” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least seven days from the date of its publication and will be available on the Company’s website at [www.locohkholdings.com](http://www.locohkholdings.com).*

The Board of Directors (the “**Board**”) of the Company hereby announces the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2021, together with comparative figures for the previous year.

## **CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the year ended 31 December 2021*

	<i>Notes</i>	<b>2021</b> <b>HK\$’000</b>	2020 HK\$’000
<b>Revenue</b>			
– Sales of metal		<b>9,387</b>	4,247
– Education management services		<b>4,545</b>	6,207
– Interest income from customers and suppliers		<u>–</u>	<u>10</u>
Total revenue	3	<b>13,932</b>	10,464
Trading gains/(losses) on commodity forward contracts		<b>43</b>	(153)
Other income		<u><b>79</b></u>	<u>932</u>
		<b>14,054</b>	11,243
Carrying value of inventories sold		<b>(9,413)</b>	(4,138)
Change in fair value of commodity inventories		<b>(21)</b>	53
Depreciation on property, plant and equipment		<b>(1,193)</b>	(1,265)
Depreciation on right-of-use assets		<b>(2,758)</b>	(2,667)
Employee costs		<b>(18,507)</b>	(21,437)
Fair value losses on other financial assets		–	(11,786)
Other operating expenses		<b>(11,553)</b>	(9,578)
Provision of loss allowance on loan receivable		–	(4,829)
Provision of loss allowance on trade and other receivables		<b>(200)</b>	(363)
Rental expenses		<b>(1,399)</b>	(1,204)
Share of (loss)/profit of an associate		<b>(378)</b>	90
Finance costs	4	<u><b>(131)</b></u>	<u>(71)</u>
Loss before income tax expense	5	<b>(31,499)</b>	(45,952)
Income tax credit/(expense)	6	<u><b>139</b></u>	<u>(785)</u>
<b>Loss for the year</b>		<u><b>(31,360)</b></u>	<u>(46,737)</u>

		2021	2020
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>392</u>	<u>1,309</u>
<b>Other comprehensive income for the year, net of tax</b>		<u>392</u>	<u>1,309</u>
<b>Total comprehensive loss for the year</b>		<u><b>(30,968)</b></u>	<u><b>(45,428)</b></u>
<b>(Loss)/profit for the year attributable to:</b>			
– Owners of the Company	7	(29,159)	(46,856)
– Non-controlling interests		<u>(2,201)</u>	<u>119</u>
		<u><b>(31,360)</b></u>	<u><b>(46,737)</b></u>
<b>Total comprehensive (loss)/income for the year attributable to:</b>			
– owners of the Company		(28,954)	(46,171)
– non-controlling interests		<u>(2,014)</u>	<u>743</u>
		<u><b>(30,968)</b></u>	<u><b>(45,428)</b></u>
<b>Loss per share attributable to owners of the Company during the year (basic and diluted)</b>			
	7	<u><b>(3.93)</b></u>	<u><b>(7.98)</b></u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		2,574	2,549
Right-of-use assets		5,186	2,312
Interest in an associate		7,703	8,081
Other financial assets		<u>5,500</u>	<u>5,500</u>
		<b>20,963</b>	18,442
<b>Current assets</b>			
Inventories		256	277
Trade and other receivables and prepayments	8	12,915	7,978
Loan receivable	9	–	–
Cash and cash equivalents		<u>20,880</u>	<u>28,964</u>
		<b>34,051</b>	37,219
<b>Current liabilities</b>			
Other payables and accruals	10	2,033	1,901
Tax payable		–	19
Lease liabilities		<u>2,667</u>	<u>1,859</u>
		<b>4,700</b>	3,779
<b>Net current assets</b>		<u><b>29,351</b></u>	<u>33,440</u>
<b>Total assets less current liabilities</b>		<u><b>50,314</b></u>	<u>51,882</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		–	143
Lease liabilities		<u>2,594</u>	<u>516</u>
		<b>2,594</b>	659
<b>Net assets</b>		<u><b>47,720</b></u>	<u>51,223</u>
<b>Equity</b>			
Share capital		188,348	161,112
Reserves		<u>(141,632)</u>	<u>(113,544)</u>
<b>Equity attributable to the owners of the Company</b>		<b>46,716</b>	47,568
Non-controlling interests		<u>1,004</u>	<u>3,655</u>
<b>Total equity</b>		<u><b>47,720</b></u>	<u>51,223</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2021*

## 1. GENERAL INFORMATION

Loco Hong Kong Holdings Limited (the “**Company**”) is a limited liability company incorporated in Hong Kong and its shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) with effect from 5 August 2014. The addresses of the registered office and principal place of business are Unit 401, 4/F., Fairmont House, 8 Cotton Tree Drive, Admiralty, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (collectively the “**Group**”) are principally engaged in metal business in Hong Kong, provision of education management services in the mainland of the People’s Republic of China (the “**PRC Mainland**”) and provision of money lending services in Hong Kong.

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (“**HK\$’000**”), unless otherwise stated. These consolidated financial statements were approved and authorized for issue by the board of directors on 25 March 2022.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance Cap.622 (“**CO**”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (“**GEM Listing Rules**”).

The consolidated financial statements have been prepared on the historical cost basis except for certain inventories and financial instruments that are measured at fair values.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 “*Share-based Payment*” (“**HKFRS 2**”), leasing transactions that are accounted for in accordance with HKFRS 16 “*Leases*” (“**HKFRS 16**”), and measurements that have some similarities to fair value but are not fair value, such as net realizable value in HKAS 2 “*Inventories*” or value in use in HKAS 36 “*Impairment of Assets*”.

The preparation of the consolidated financial statements in accordance with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies of the Group.

## 2.2 Changes in accounting policies

### (i) *New and amended standards adopted by the Group*

The Group has applied the following new and revised standards and amendments for the first time in the current year:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group has early applied the Amendments to HKFRS 16 COVID-19-Related Rent Concessions beyond 30 June 2021.

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Group’s consolidated financial positions and consolidated performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

**(ii) The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:**

HKFRS 17	Insurance Contracts and the related Amendments <sup>1</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>1</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 <sup>2</sup>

<sup>1</sup> *Effective for annual periods beginning on or after 1 January 2023.*

<sup>2</sup> *Effective for annual periods beginning on or after 1 January 2022.*

<sup>3</sup> *Effective for annual periods beginning on or after a date to be determined.*

The directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

### **3. SEGMENT 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-makers that are used to make strategic decision. The Group manages its business by divisions, which are organized 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 and operating segments:

- (i) Trading of metal – Sales of metal and interest income from Forward Arrangements in Hong Kong.
- (ii) Money lending services – Provision of money lending services in Hong Kong.
- (iii) Education management services – Provision of education management services in the PRC Mainland.

(a) Segment results, assets and liabilities

The segment information provided to the directors of the Company for the reportable segments for the years ended 31 December 2020 and 2021 are as follows:

	For the year ended 31 December 2021			
	Trading of metal <i>HK\$'000</i>	Money lending services <i>HK\$'000</i>	Education management services <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Reportable segment revenue</b> <i>(Note)</i>	<u>9,387</u>	<u>–</u>	<u>4,545</u>	<u>13,932</u>
<b>Reportable segment loss</b>	<u>(3,718)</u>	<u>(174)</u>	<u>(4,683)</u>	<u>(8,575)</u>
Depreciation of property, plant and equipment				(144)
Depreciation of right-of-use assets				(2,110)
Employee costs				(12,124)
Interest expenses				(103)
Other unallocated corporate expenses				(8,443)
<b>Loss before income tax expense</b>				(31,499)
Income tax credit				139
<b>Loss for the year</b>				<u>(31,360)</u>
<b>Reportable segment assets</b>	<u>17,846</u>	<u>283</u>	<u>20,589</u>	<u>38,718</u>
Cash and cash equivalents				6,995
Property, plant and equipment				38
Right-of-use assets				4,320
Other financial assets				1,000
Other unallocated corporate assets				3,943
<b>Consolidated total assets</b>				<u>55,014</u>
<b>Additions to specified non-current assets</b>	<u>–</u>	<u>–</u>	<u>1,180</u>	<u>1,180</u>
<b>Reportable segment liabilities</b>	<u>717</u>	<u>282</u>	<u>486</u>	<u>1,485</u>
Lease liabilities				4,393
Other unallocated corporate liabilities				1,416
<b>Consolidated total liabilities</b>				<u>7,294</u>

*Note:* There is no inter-segment revenue for the year.



For the year ended 31 December 2020

	Trading of metal <i>HK\$'000</i>	Money lending services <i>HK\$'000</i>	Education management services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment revenue ( <i>Note</i> )	<u>4,247</u>	<u>10</u>	<u>6,207</u>	<u>10,464</u>
Reportable segment (loss)/profit	<u>(5,541)</u>	<u>(6,543)</u>	<u>615</u>	<u>(11,469)</u>
Depreciation of property, plant and equipment				(401)
Depreciation of right-of-use assets				(1,838)
Employee costs				(15,729)
Fair value losses on other financial assets				(9,500)
Interest expenses				(52)
Other unallocated corporate expenses				<u>(6,963)</u>
Loss before income tax expense				(45,952)
Income tax expense				<u>(785)</u>
Loss for the year				<u>(46,737)</u>
Reportable segment assets	<u>15,663</u>	<u>81</u>	<u>17,409</u>	<u>33,153</u>
Cash and cash equivalents				18,487
Property, plant and equipment				178
Right-of-use assets				2,064
Other financial assets				1,000
Other unallocated corporate assets				<u>779</u>
Consolidated total assets				<u>55,661</u>
Additions to specified non-current assets	<u>–</u>	<u>–</u>	<u>753</u>	<u>753</u>
Reportable segment liabilities	<u>316</u>	<u>88</u>	<u>587</u>	<u>991</u>
Lease liabilities				2,115
Other unallocated corporate liabilities				<u>1,332</u>
Consolidated total liabilities				<u>4,438</u>

*Note:* There is no inter-segment revenue for the year.

(b) Other segment information

	For the year ended 31 December 2021			
	Trading of	Money	Education	Total
	metal	lending	management	
	services	services	services	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Change in fair value of commodity inventories	(21)	–	–	(21)
Depreciation of property, plant and equipment	(768)	–	(281)	(1,049)
Depreciation of right-of-use assets	(516)	(132)	–	(648)
Reversal of provision/(provision) of				
loss allowance on trade and other receivables	12	–	(212)	(200)
Interest expenses	(24)	(4)	–	(28)
Share of loss of an associate	(378)	–	–	(378)

	For the year ended 31 December 2020			
	Trading of	Money	Education	Total
	metal	lending	management	
	services	services	services	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Change in fair value of commodity inventories	53	–	–	53
Depreciation of property, plant and equipment	(791)	–	(73)	(864)
Depreciation of right-of-use assets	(667)	(162)	–	(829)
Fair value losses on other financial assets	(2,286)	–	–	(2,286)
Provision of loss allowance on loan receivable	–	(4,829)	–	(4,829)
Reversal of provision/(provision) of				
loss allowance on trade and other receivables	(13)	(568)	218	(363)
Interest income	–	10	–	10
Interest expenses	(15)	(4)	–	(19)
Share of profit of an associate	90	–	–	90

(c) **Geographical information**

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

The Group's revenue from customers and information about its specified non-current assets, comprising property, plant and equipment, interest in an associate and right-of-use assets, by geographical location are detailed below:

	<b>Revenue from customers*</b>	
	<b>2021</b>	<b>2020</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Hong Kong	<b>9,387</b>	4,257
PRC Mainland	<b>4,545</b>	6,207
	<b><u>13,932</u></b>	<b><u>10,464</u></b>

\* *Based on location of customers.*

	<b>Specified non-current assets</b>	
	<b>2021</b>	<b>2020</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Hong Kong	<b>13,809</b>	12,222
PRC Mainland	<b>1,654</b>	720
	<b><u>15,463</u></b>	<b><u>12,942</u></b>

(d) Disaggregation of revenue

	For the year ended 31 December 2021			
	Trading of metal <i>HK\$'000</i>	Money lending services <i>HK\$'000</i>	Education management services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Primary geographical markets				
Hong Kong	9,387	–	–	9,387
PRC Mainland	–	–	4,545	4,545
	<u>9,387</u>	<u>–</u>	<u>4,545</u>	<u>13,932</u>

	For the year ended 31 December 2020			
	Trading of metal <i>HK\$'000</i>	Money lending services <i>HK\$'000</i>	Education management services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Primary geographical markets				
Hong Kong	4,247	10	–	4,257
PRC Mainland	–	–	6,207	6,207
	<u>4,247</u>	<u>10</u>	<u>6,207</u>	<u>10,464</u>

(e) Disaggregation of revenue from contracts with customers

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>By timing of revenue recognition:</b>		
Control transferred over time	4,545	6,207
Control transferred at a point in time	9,387	4,247
	<u>13,932</u>	<u>10,454</u>

(f) **Information about major customers**

Revenue from major customers, each of them accounted for 10% or more of the Group's revenue and is reported under the segment of trading of metal and education management services, are set out below:

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Customer A <sup>1</sup>	N/A	4,247
Customer B <sup>2</sup>	1,641	3,890
Customer C <sup>2</sup>	N/A	1,877
Customer D <sup>1</sup>	<b>9,387</b>	N/A

*1 Revenue from trading of metal*

*2 Revenue from education management services*

N/A: Not applicable as the revenue generated by the customer is less than 10% of the Group's revenue.

**4. FINANCE COSTS**

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Interest on other borrowing	39	–
Interest on lease liabilities	92	71
	<b>131</b>	71

**5. LOSS BEFORE INCOME TAX EXPENSE**

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

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Auditors' remuneration	600	600
Exchange gains – net	(85)	(343)
Lease payments not included in the measurement of lease liabilities	<b>1,399</b>	1,204

## 6. INCOME TAX CREDIT/(EXPENSE)

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax:		
Charge for the year	(4)	(642)
Deferred tax:		
Credit/(charge) for the year	<u>143</u>	<u>(143)</u>
<b>Income tax credit/(expense)</b>	<b><u>139</u></b>	<b><u>(785)</u></b>

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operates.

Pursuant to the rules and regulations of the British Virgin Islands (“BVI”), the Group is not subject to any income tax in the BVI.

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profit for the year ended 31 December 2021 (2020: 16.5%).

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 year ended 31 December 2021 (2020: 25%).

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss before income tax expense	<u>31,499</u>	<u>45,952</u>
Tax calculated at domestic tax rate of 16.5% (2020: 16.5%)	5,197	7,582
Effect of different tax rate of subsidiaries operating in other jurisdictions	399	35
Tax effect of income not taxable for tax purposes	77	167
Tax effect of expenses not deductible for tax purposes	(3,556)	(6,033)
Tax effect of tax losses not recognized	(1,984)	(1,604)
Tax effect of other temporary differences not recognized	(137)	(168)
Withhold tax paid on dividend distributed		
by PRC Mainland subsidiary	–	(621)
Reversal/(accrual) of withholding tax liabilities	<u>143</u>	<u>(143)</u>
<b>Income tax credit/(expense) for the year</b>	<b><u>139</u></b>	<b><u>(785)</u></b>

As at 31 December 2021, the Group had estimated unused tax losses of approximately HK\$45,786,000 (2020: approximately HK\$34,891,000) which are available for offset against future profits. No deferred tax asset has been recognized in respect of the estimated tax losses due to unpredictability of future profit streams. Tax losses amounted to approximately HK\$40,840,000 (2020: approximately HK\$34,485,000) may be carried forward indefinitely which are subject to approval from the Hong Kong Inland Revenue Department and approximately RMB4,095,000 (equivalent to approximately HK\$4,946,000) (2020: approximately RMB341,000 (equivalent to approximately HK\$406,000)) will expire in five years.

Under the EIT Law of the PRC Mainland, withholding tax at 10% is imposed on dividends declared to its immediate holding company outside of the PRC Mainland in respect of the profits earned by the PRC Mainland subsidiary from 1 January 2008 and onwards. A lower 5% withholding tax rate may be applied when the immediate holding company is established in Hong Kong according to the tax treaty arrangement between the PRC Mainland and Hong Kong.

## 7. LOSS PER SHARE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Loss</b>		
Loss attributable to owners of the Company	<u>(29,159)</u>	<u>(46,856)</u>
	2021	2020
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share ( <i>in thousand</i> )	<u>742,298</u>	<u>587,481</u>

Diluted loss per share for loss attributable to owners of the Company for the years ended 31 December 2020 and 2021 was the same as basic loss per share because the impact of the exercise of share options is anti-dilutive.

## 8. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	3,088	4,496
<i>Less: provision for loss allowance</i>	<u>(166)</u>	<u>(125)</u>
Trade receivables – net ( <i>Note (a)</i> )	<u>2,922</u>	<u>4,371</u>
Loan interest receivable	893	893
<i>Less: provision for loss allowance</i>	<u>(893)</u>	<u>(893)</u>
Loan interest receivable – net ( <i>Note (b)</i> )	<u>–</u>	<u>–</u>
Other receivables and deposits	9,940	3,408
<i>Less: provision for loss allowance</i>	<u>(239)</u>	<u>(71)</u>
Other receivables and deposits – net	<u>9,701</u>	<u>3,337</u>
Prepayments	<u>292</u>	<u>270</u>
	<u><b>12,915</b></u>	<u><b>7,978</b></u>

### (a) 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 – 30 days	578	4,371
91 – 180 days	543	–
181 days – 1 year	<u>1,801</u>	<u>–</u>
	<u><b>2,922</b></u>	<u><b>4,371</b></u>



**(b) Loan interest receivable**

The Group's loan interest receivable arises from the money lending business of providing personal loans in Hong Kong. The loan interest receivable was secured by collateral provided by personal guarantee and a property located in Hong Kong. Further details of the loan are set out in Note 9.

As at 31 December 2021, the total carrying amount of loan interest receivable is overdue by more than 2 years and the total carrying amount of loan interest receivable is determined to be credit-impaired after considering the overdue aging analysis and other qualitative factors.

**9. LOAN RECEIVABLE**

	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Loan receivable	<b>7,589</b>	7,589
Less: provision for loss allowance	<u><b>(7,589)</b></u>	<u>(7,589)</u>
<b>Loan receivable – net</b>	<u><u><b>–</b></u></u>	<u><u>–</u></u>

The Group's loan receivable arises from the money lending business of providing personal loans in Hong Kong, with interest bearing at 8% per annum and denominated in HK\$. The loan receivable was secured by personal guarantee and a property located in Hong Kong and the Company is as the third mortgagee of the secured property.

As at 31 December 2021, the total carrying amount of loan receivable is overdue by more than 2 years and the total carrying amount of loan receivable is determined to be credit-impaired after considering the overdue aging analysis and other qualitative factors.

**10. OTHER PAYABLES AND ACCRUALS**

	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Other payables and accruals	<u><b>2,033</b></u>	<u>1,901</u>

**11. DIVIDENDS**

No dividend was paid or proposed during the year ended 31 December 2021, nor has any dividend been proposed since the end of the reporting period (2020: Nil).

# MANAGEMENT DISCUSSION AND ANALYSIS

## Corporate Strategy and Business Model

The Group is principally engaged in metal business in Hong Kong. Besides, the Group is also engaged in provision of education management services, which are conducted in mainland of the People's Republic of China (the “**PRC Mainland**”), and provision of money lending services, which are conducted in Hong Kong, during the year.

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

We operate the silver processing facilities with a view to enhancing the marketability as well as facilitating the trading of our silver products. Our processing involves melting silver raw materials and moulding them into the shapes and forms required by our customers.

The Group adopts hedging strategies to avoid adverse impact on our income arising from price fluctuation of metals. Such strategies mainly include entering into forward contracts with our commodity dealers to fix the forward price contemporaneously upon our fixing the purchase or sales price with our suppliers or customers, in order to mitigate the impact from price fluctuation.

The sales and purchase price of our silver and gold products and the hedging arrangements are determined with reference to a benchmark price quoted on the website of London Bullion Market Association and live prices published and distributed by various data vendors.

## **Business Review**

For the year ended 31 December 2021 (“**2021**” or the “**Current Year**”), the Group’s principal activities were broadly divided into the trading of metal in Hong Kong, provision of education management services in the PRC Mainland and provision of money lending services in Hong Kong.

### ***Trading of metal***

In the Current Year, the global COVID-19 pandemic once eased slightly due to increased vaccination efforts in various countries. However, due to the successive outbreaks and rapid spread of the virus variants such as Delta and Omicron, the pandemic became recurrent and uncontrollable. As a result, the recovery of the world economy is difficult and faces a complex and grim situation, and the market is still full of instability and uncertainty.

#### *1. Impact of the pandemic on the trading of metal business of the Group*

The Group’s trading of metal business was slightly improved in the Current Year compared with the corresponding in 2020 but was still subject to the continuous emergence of COVID-19 variants, which continued to affect recovery of the global economy. The different public health policies adopted by different countries against COVID-19 e.g. “living with COVID” versus “COVID-zero”, the political battles among countries in respect of the fight against and economic recovery from COVID-19, and the quantitative easing monetary policy adopted by western countries and led by the United States not only caused drastic increase in prices of commodities, raw materials and food products, but also restrictions on travelling and logistics transportation, as well as disruption of air and ocean freight schedules at any time due to sudden outbreaks. Such factors have greatly increased the default risks in global trading. Considering the strict risk control measures implemented by the Group, such risks are inevitably reflected in the Group’s pricing strategy for its trading of metal business.

Due to the rapid outbreak and spread of the fifth wave of pandemic in Hong Kong, Hong Kong has not yet been able to carry out normal exchanges of business personnel with the PRC Mainland and Southeast Asian countries, making it impossible for people to negotiate face-to-face and understand each normally in many business activities, including checking product samples, understanding the counterparty’s business scale, credit, source of business funds, etc., which caused difficulties in making business decisions.

## 2. *Impact of the gold and silver market on the trading of metal business of the Group*

In view of the severe global COVID-19 pandemic, many western countries as led by the United States implemented extreme quantitative easing monetary policy involving trillions of dollars and maintained ultra-low interest rates in the financial market, a few of which even implemented negative interest rates, flooding the market with hot money, and resulting in extreme volatility in the commodity, agricultural products and precious metal markets. Demand for physical silver and gold remains weak as businesses and households are currently in the situation of relying on relief subsidies for income in an unrecovered economy and when silver and gold prices reach high levels, they were often met with profit-taking. The extreme fluctuation in the prices of gold and silver has further increased the risk in the hedging transactions of the Group and increased costs. Due to the supply shortage in the market, the narrowed bargaining space from the buyers' side, and the increase in hedging risks and transaction costs, the Group has grown more cautiously when engaging in its trading in metal business, keeping strict risk control as priority.

The Group's process of purchasing silver scraps and sale of high-quality silver ingots and granules is set out below:

- 1) After procuring supply sources, suppliers in the PRC Mainland ask for an offer price from the Group, usually by reference to the Loco London Silver Spot Price (the "**Reference Price**") (e.g. at a discount of US\$0.40/ounce to the Reference Price). If any supplier agrees to the Group's offer price, it will then arrange delivery in Hong Kong.
- 2) Meanwhile, the Group asks for offer prices from trade buyers in Hong Kong, Japan or Singapore, which usually depend on the offer prices from their ultimate buyers, similarly by reference to the Reference Price (e.g. at a premium of US\$0.10/ounce to the Reference Price). After locking in the price, the Group will derive the actual purchase price for the silver scraps based on the Reference Price on the date they are delivered to Hong Kong. For instance, if the Reference Price is US\$14.50/ounce, after deducting the discount of US\$0.40/ounce, the actual purchase price payable by the Group is US\$14.10/ounce. At the time of pricing, the Group will conduct hedging by reference to the real time quotations from market traders through selling the same amount of silver "forward" without entering into a physical settlement contract. The purpose of such hedging transaction is to prevent price loss from the purchase of silver scraps when the price of silver falls.

- 3) After converting the silver scraps into high quality silver granules and ingots, the Group determines on the actual selling price with the buyers. For instance, if the Reference Price is US\$15/ounce, and the Group agreed to sell at a premium of US\$0.10/ounce, then the actual selling price is US\$15.10/ounce. At the time of pricing, the Group will make a “close position” transaction, e.g. buying back the silver contract that was previously hedged at US\$14.50/ounce at US\$15/ounce (the loss from such hedge transaction is US\$0.50/ounce). As the silver market price fluctuates from time to time (the volatility has been particularly severe in recent years), hedging transactions are prone to losses in the bid-ask spread (of course they may also result in a profit). If the two hedging transactions result in a total loss of US\$0.60/ounce, the entire transaction will result in a gross profit of US\$0.40/ounce throughout the purchase to sales to hedging processes.

From 2020 to present, shortage of silver scraps supplied to Hong Kong, intense competition in the metal trading industry, as well as the negative impact of COVID-19 pandemic have resulted in an increase in logistic cost and uncertainties in transportation in the PRC Mainland, the discounts provided by suppliers are further narrowed. On the other hand, due to significant increase in price of silver in the international market, demand for physical silver has further weakened. Meanwhile, international logistics costs have substantially increased due to disruption of flights during pandemic, which add uncertainties to delivery time. In 2020, because of flights suspension, a batch of physical gold failed to be delivered to New York’s futures market on time, which resulted in an unprecedented gold price difference between New York and London and severe losses for London commodity dealers.

As such, buyers have grown more cautiously and the negotiable bargaining space from the buyers’ side have further narrowed. Taking into account the above as well as the potential hedging losses, a transaction in the trading of metal business of the Group has become high-risk, unprofitable or even loss making. Considering other uncontrollable risks, the Group can only strictly adhere to established risk control measures in procurement and sales, and for those transactions which involve high uncertainties and generate a low margin, the Group would rather not enter into.

### 3. *Operating status of the trading of metal business in the Current Year*

#### 1) Client and contract portfolio of the Group

The Group had one client (the “**Client**”) based in Hong Kong during the Current Year. This is because when selecting customers, the Group needs to assess the credibility of potential customers and the source of their funds; whereas customers place orders as needed based on market conditions, after they “shop around”. Therefore, in terms of paying attention to risk control and carefully selecting sales customers, the Group has only chosen the Client at present.

To the knowledge of the Directors, the Client is a Hong Kong incorporated company with over 20 years of history in the refinery of gold and silver products and metal trading industry and the Client is not related to the Group and is an independent third party.

During the Current Year, the Group issued eight sales invoices to the Client for the sales of physical gold with each transaction amount ranging between USD100,000 to USD200,000. The Group currently expects to continue supplying gold to the Client in the foreseeable future. Even though it is the general practice of the market players not to enter into long term supply/sales contracts, the Group currently expects that as long as there is no extreme fluctuation in the market price of gold, sales are expected to continue to grow. Meanwhile, the Group will continue to look for business opportunities with other local gold traders in Hong Kong.

#### 2) Use of proceeds from the placing

As at 31 December 2021, even though the trading of metal business of the Group had not recorded profit due to adverse factors including the global pandemic still not being under control, the situation has slightly improved as compared to that of 2020. Reducing the number of employees also helped the control of management and operating costs. The employees of the Group’s trading of metal business currently include executive Director Mr. Fung Chi Kin, three employees responsible for collection and delivery and administrative function, and the number of technicians working in the metal processing facilities of the Group as full-time employees has been reduced from eight as of two years ago to two as at 31 December 2021.

The Group plans to make an initial cash allocation of HK\$5 million from the proceeds of the placing completed in August 2021 to strengthen the metal trading business for further development in the future, which is consistent with the use of proceeds as disclosed in the Group’s announcements dated 12 August 2021 and 20 August 2021, respectively.

#### 4. *Development prospect of trading of metal business*

At present, the global pandemic is still not under control, and the fifth wave of severe pandemic has occurred in Hong Kong. Relying on the supply of goods in the PRC Mainland and the overseas sales import and export business in nature, the Group's trading of metal business is still subject to the above factors and faces severe challenges. Notwithstanding that, the Group has never considered suspending or reducing its trading of metal business but rather, has been strictly adhering to the strategy of actively restoring and continuously expanding the core business to develop metal business. Recently, the Group through a wholly-owned subsidiary in the PRC Mainland conducted preliminary discussions with a company in the PRC Mainland (the "**PRC company**") on possible cooperation and entered into a non-legally binding strategic cooperation framework agreement (the "**Framework Agreement**"). According to the Framework Agreement, the Group and the PRC company will further discuss potential cooperation opportunities on metal business projects. The PRC company is a metal trading company incorporated in Sichuan Province, the PRC Mainland and the information collection unit of China Hardware and Electromechanics Index. To the knowledge of the Directors, the PRC company is an independent third party of the Group. Entering into the Framework Agreement will help the Group to actively expand its metal business and metal supply chain industry in the PRC Mainland.

The Group has endured nearly two years of repeated global COVID-19 pandemic outbreaks during which the business environment and market conditions of various operational links are difficult to control. Despite that, the Group has full confidence that after the pandemic situation is further stabilised and the customs clearance between Hong Kong and mainland China returns to normal, the Group will be able to further improve and expand its metal business.

Compared with the same period in 2020, the Group's revenue from trading of metal business improved in the Current Year. Sales revenue from this business segment was approximately HK\$9.39 million (2020: approximately HK\$4.25 million).

### ***Provision of education management services***

In the Current Year, our indirect subsidiary, Sichuan Loco Yahui Education Management Limited (四川港銀雅匯教育管理有限公司) (“**Loco Yahui**”), was principally engaged in the provision of education management and consulting services to different schools in the PRC Mainland.

In the Current Year, the government’s new policies on the rectification and reform of education burst out. The New Non-state Education Promotion Law and the “Double Reduction Opinions” and supporting policies of the General Office of the CPC Central Committee and the General Office of the State Council were successively issued. As a result, educational institutions are teetering, and the overall education industry in the PRC Mainland has entered a period of deepening reform and rectification, which has caused major shocks to schools and education and training institutions. Their revenue declined significantly, and some even have shut down. Our education management service business was also greatly affected, with a significant reduction in revenue. Nevertheless, the Board believes that the government’s reform and rectification of education are in line with the correct direction of the current national education development, and we shall understand and support it while maintaining a high degree of compliance and legality to achieve the healthy development of the project business. In terms of the business segment of education management services, we will pay close attention to the policy trends and regulatory environment, and optimize and adjust its business model and related arrangements in response to the government’s new policies on the rectification and reform of education.

In the Current Year, the business segment of education management services only contributed revenue of approximately HK\$4.55 million to the Group (2020: approximately HK\$6.21 million).

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

In the Current Year, due to the recurrent and uncontrollable global COVID-19 pandemic, there were still many uncertainties and difficulties in the recovery and sustainable development of the world economy. Similarly, the market conditions in the PRC Mainland were also affected. Therefore, we believed that the credit risk in money lending services was still relatively high. The Group strictly adhered to cautious credit assessment and review 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 forecasts on asset valuation, business forecast and individual’s repayment abilities, the Group adopted a more prudent approach in selecting qualified credit applicants for potential business opportunities to strictly control risks. Therefore, this business segment recorded no revenue for the Current Year (2020: Nil).



## ***Outlook***

Given that the current international situation and the international economic environment becoming more complex, severe and uncertain, coupled with the repeated global pandemic and the uncontrollable situations, the operating environment of the Group's metal business and its various business aspects will face more complex, changeable and uncontrollable situations. Nevertheless, the Group still expects to further improve and expand its metal business once the pandemic can be brought under control and gradually stabilized, and the customs clearance between Hong Kong and the PRC Mainland returns to normal. We will continue to uphold the strategy of active recovery and continuous expansion of our main business, highly pay attention to the risk control and choose partners carefully, and vigorously expand the metal business and metal supply chain industry within the PRC Mainland on the basis of the current trading of metal business. The Group's money lending business still requires cautious assessment and robust risk control. In the PRC Mainland, with the implementation and strict supervision of the New Non-state Education Promotion Law and the "Double Reduction Opinions" of the General Office of the CPC Central Committee and the General Office of the State Council, the education and training industry will face profound changes and severe challenges. The Group's education management service business is also deeply affected. We will pay close attention to the policy trends and regulatory environment, and optimize and adjust its business model and related arrangements in response to the government's new policies on the rectification and reform of education. All in all, the Group will strive to seek development in the balance of risk control in its existing business model.

## Financial Review

For the year ended 31 December 2021, the Group had a total revenue of approximately HK\$13.9 million (2020: approximately HK\$10.5 million), representing an increase of approximately 32.4% as compared with 2020. The Group recorded loss of approximately HK\$31.4 million (2020: approximately HK\$46.7 million) for the year ended 31 December 2021, representing a decrease of approximately 32.8% as compared to 2020. The decrease in loss was mainly attributable to net effect of:

- (a) an increase in the Group's total revenue of approximately HK\$3.4 million as discussed in above;
- (b) the carrying value of inventories sold was recognised approximately HK\$9.4 million (2020: approximately HK\$4.1 million);
- (c) no fair value loss on investment in unlisted equity securities was recognised (2020: approximately HK\$11.8 million);
- (d) no provision of loss allowance provided on loan receivable (2020: approximately HK\$4.8 million);
- (e) a decrease in employee costs of approximately HK\$2.9 million; and
- (f) an increase in other operating expenses of approximately HK\$2 million.

For the year ended 31 December 2021, the Group's loss attributable to owners of the Company was approximately HK\$29.2 million, as compared to the loss attributable to owners of the Company of approximately HK\$46.9 million for 2020.

## **Capital Structure, Liquidity and Financial Resources**

As at 31 December 2021, the Group had cash and bank balances of approximately HK\$20.9 million (2020: approximately HK\$29.0 million) and net current assets of approximately HK\$29.4 million (2020: approximately HK\$33.4 million). As at 31 December 2021, the current ratio stood at 7.24 times (2020: 9.85 times).

The Group generally finances its operations primarily with internally generated cash. The decrease in cash and bank balances of approximately HK\$8.1 million mainly represented the net effect of the loss for the year and increase in the trade and other receivable, netting off the proceed from issue of placing shares.

As at 31 December 2021, the Group had no outstanding borrowings (2020: Nil).

As at 31 December 2021, no banking facilities were granted to the Group (2020: Nil). The Directors believed that the Group has adequate financial resources to fulfill its commitments and working capital requirements.

### **Placing of New Shares Under General Mandate**

#### ***Placing of new shares in 2020***

As disclosed in the Company's announcements dated 20 November 2020 and 26 November 2020, the Company had completed placing of 115,000,000 ordinary shares of the Company at a placing price of HK\$0.148 per placing share on 26 November 2020.

The placing price of HK\$0.148 per placing share under the placing represents: (i) a discount of approximately 4.52% to the closing price of HK\$0.155 per ordinary share as quoted on the Stock Exchange on 20 November 2020, being the date of the placing agreement; and (ii) a discount of approximately 19.57% to the average closing price of approximately HK\$0.184 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the placing agreement.

The net proceeds (after deducting the placing commission and other related expenses and professional fees) from the 115,000,000 placing shares amounted to approximately HK\$16.63 million. The Company intends to apply such net proceeds from the placing for its existing businesses and for general working capital.

As at 31 December 2021, the aforesaid net proceeds use which are consistent with the intended use of proceeds has been applied as follows:

	<i>HK\$'000</i>
Unutilized amount of proceeds as at 1 January 2021	16,632
Utilized amount of proceeds during the year:	
– General working capital	<u>(16,632)</u>
Unutilized amount of proceeds as at 31 December 2021	<u><u>–</u></u>

### ***Placing of new shares in 2021***

As disclosed in the Company's announcements dated 12 August 2021 and 20 August 2021, the Company had completed placing of 138,234,000 ordinary shares of the Company at a placing price of HK\$0.2 per placing share on 19 August 2021.

The placing price of HK\$0.2 per placing share under the placing represents: (i) a discount of approximately 15.97% to the closing price of HK\$0.238 per ordinary share as quoted on the Stock Exchange on 12 August 2021, being the date of the placing agreement; and (ii) a discount of approximately 6.02% to the average closing price of approximately HK\$0.2128 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the placing agreement.

The net proceeds (after deducting the placing commission and other related expenses and professional fees) from the 138,234,000 placing shares amounted to approximately HK\$27.24 million. The Company intends to apply such net proceeds from the placing for its metal business and for general working capital.

As at 31 December 2021, the aforesaid net proceeds use which are consistent with the intended use of proceeds has been applied as follows:

	<i>HK\$'000</i>
Net proceeds from placing shares	27,236
Utilized amount of proceeds during the year:	
– General working capital	(12,862)
– Metal business	<u>(1,456)</u>
Unutilized amount of proceeds as at 31 December 2021	<u><u>12,918</u></u>

As at 31 December 2021, net proceeds not yet utilized were deposited with licensed bank in Hong Kong.

### **Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies, and Plan for Material Investments or Capital Assets**

Save as disclosed herein, there was no significant investment held, material acquisition and disposal of subsidiaries and affiliated companies by the Company during the year ended 31 December 2021. There was no other plan for material investments or capital assets as at 31 December 2021.

### **Employees and Remuneration Policy**

As at 31 December 2021, the Group employed a total of 30 staffs (2020: 32 staffs). The total employee costs, including remuneration of the Directors, for the year ended 31 December 2021 amounted to approximately HK\$18.5 million (2020: approximately HK\$21.4 million).

The remuneration policy and package of the Group's employees are periodically reviewed. 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.

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

As at 31 December 2021, no Group's asset was pledged as security (2020: Nil).

## **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 31 December 2021, no gearing ratio was presented as the Group has net cash surplus (2020: net cash surplus).

## **Contingent Liabilities**

As at 31 December 2021, the Group did not have any material contingent liabilities, guarantees or any litigation or claims of material importance pending or threatened against any member of the Group (2020: Nil) and there has not been any material change in the contingent liabilities of the Group since 31 December 2021.

## **Foreign Exchange Exposure**

The Group's 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, the Company's management will continue to monitor the foreign exchange exposure position and will take any future measures if appropriate.

## **Capital Commitment and Capital Expenditure**

As at 31 December 2021, the Group did not have any significant capital commitment and capital expenditure (2020: Nil).

## **Dividends**

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil).

## **Events after the Reporting Period**

There were no significant events after the reporting period of the Group.

## **SCOPE OF WORK OF AUDITORS**

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2021 as set out in this announcement have been agreed by the Company's auditors, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by HLB Hodgson Impey Cheng Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB Hodgson Impey Cheng Limited on this announcement.

## **DISCLOSURE UNDER SECTION 436 OF THE HONG KONG COMPANIES ORDINANCE**

The financial information of the Group relating to the year ended 31 December 2020 included in this preliminary announcement of annual results for the year ended 31 December 2021 do 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 2020 to the Registrar of Companies as required by 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 of the Group for the year ended 31 December 2020. The auditors' report was unqualified; did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

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

On 19 August 2021, the Company allotted and issued a total of 138,234,000 fully paid new shares by the way of placing at a price of HK\$0.2 per share.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

During the year ended 31 December 2021, to the best knowledge of the Board, 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 (the “**Code Provisions**”), save for the deviation from the Code Provision A.2.1 (which has been re-numbered as C.2.1 since 1 January 2022) as explained below.

Code Provision A.2.1 (which has been re-numbered as C.2.1 since 1 January 2022) 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 of the Company as a whole.

## **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 have complied with the standards of dealings and the code of conduct regarding securities transactions carried out by Directors, adopted by the Company throughout the year ended 31 December 2021.



## **AUDIT COMMITTEE AND REVIEW OF ACCOUNTS**

The Company established the audit committee (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 the Code Provision C.3.3 (which has been re-numbered as D.3.3 since 1 January 2022). The duties of the Audit Committee include reviewing, in draft form, the Company’s 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, the Company’s senior management and the 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 the Company’s accounting staff, compliance officers or auditors. Members of the Audit Committee are also responsible for reviewing the Company’s financial reporting process, risk management and internal control systems.

As at the date of this announcement, the Audit Committee comprises 3 independent non-executive Directors, namely Mr. Zhou Tianshu, Ms. Wu Liyan and Ms. Wong Susan Chui San and Mr. Zhou Tianshu is the chairman of the Audit Committee.

The Audit Committee has reviewed the annual results and the audited consolidated financial statements of the Group for the year ended 31 December 2021.

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

Hong Kong, 25 March 2022

*As at the date of this announcement, 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.*