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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)

FIRST QUARTERLY RESULTS
FOR THE THREE MONTHS ENDED 31 MARCH 2022

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**” or individually a “**Director**”) of Loco Hong Kong Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”, “**we**”, “**our**” or “**us**”) 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 for at least seven days from the date of its posting and on the Company’s website at www.locohkholdings.com.

The board of Directors (the “**Board**”) of the Company presents the unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2022, together with the comparative unaudited figures for the corresponding periods in 2021, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Unaudited	
		Three months ended	
		31 March	
		2022	2021
	<i>Note</i>	HK\$’000	HK\$’000
Revenue			
– Sales of metal		4,268	–
– Education management services		446	1,180
		-----	-----
Total revenue		4,714	1,180
Other income		36	52
		-----	-----
		4,750	1,232
Carrying value of inventories sold		(4,261)	–
Change in fair value of commodity inventories		9	(13)
Depreciation on property, plant and equipment		(310)	(313)
Depreciation on right-of-use assets		(644)	(760)
Employee costs		(3,644)	(5,096)
Gain on disposal of other financial asset		50	–
Rental expenses		(379)	(313)
Other operating expenses		(4,515)	(2,174)
Provision of loss allowance on trade and other receivables		(68)	(31)
Share of (loss)/profit of an associate		(460)	17
Finance costs	3	(29)	(12)
		-----	-----
Loss before income tax expense		(9,501)	(7,463)
Income tax expense	4	–	–
		-----	-----
Loss for the period		(9,501)	(7,463)
		-----	-----
Loss for the period attributable to:			
– Owners of the Company		(8,461)	(6,946)
– Non-controlling interests		(1,040)	(517)
		-----	-----
		(9,501)	(7,463)
		-----	-----

		Unaudited	
		Three months ended	
		31 March	
		2022	2021
<i>Note</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
	Loss for the period	(9,501)	(7,463)
	Other comprehensive income/(loss)		
	Item that may be reclassified subsequently to profit or loss:		
	Exchange differences on translating foreign operations	<u>84</u>	<u>(100)</u>
	Total comprehensive loss for the period	<u>(9,417)</u>	<u>(7,563)</u>
	Total comprehensive loss for the period attributable to:		
	– Owners of the Company	(8,413)	(6,999)
	– Non-controlling interests	<u>(1,004)</u>	<u>(564)</u>
		<u>(9,417)</u>	<u>(7,563)</u>
		<i>HK cents</i>	<i>HK cents</i>
	Basic and diluted loss per share	<u>(1.02)</u>	<u>(1.00)</u>
		6	

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited								
	Share capital	Merger reserve	Equity-settled share-based payment reserve	Statutory reserve	Translation reserve	Accumulated Losses	Equity attributable to owners of the Company	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2021	161,112	(1,357)	7,000	1,647	669	(121,503)	47,568	3,655	51,223
Loss for the period	-	-	-	-	-	(6,946)	(6,946)	(517)	(7,463)
Other comprehensive loss:									
Exchange differences on translating foreign operations	-	-	-	-	(53)	-	(53)	(47)	(100)
Total comprehensive loss for the period	-	-	-	-	(53)	(6,946)	(6,999)	(564)	(7,563)
Recognition of equity-settled share-based payments	-	-	320	-	-	-	320	-	320
As at 31 March 2021	<u>161,112</u>	<u>(1,357)</u>	<u>7,320</u>	<u>1,647</u>	<u>616</u>	<u>(128,449)</u>	<u>40,889</u>	<u>3,091</u>	<u>43,980</u>
As at 1 January 2022	188,348	(1,357)	7,846	1,647	874	(150,642)	46,716	1,004	47,720
Loss for the period	-	-	-	-	-	(8,461)	(8,461)	(1,040)	(9,501)
Other comprehensive loss:									
Exchange differences on translating foreign operations	-	-	-	-	48	-	48	36	84
Total comprehensive loss for the period	-	-	-	-	48	(8,461)	(8,413)	(1,004)	(9,417)
As at 31 March 2022	<u>188,348</u>	<u>(1,357)</u>	<u>7,846</u>	<u>1,647</u>	<u>922</u>	<u>(159,103)</u>	<u>38,303</u>	<u>-</u>	<u>38,303</u>

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 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.

The unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2022 are presented in thousands of units of Hong Kong dollars (“**HK\$’000**”), unless otherwise stated. The unaudited condensed consolidated financial statements were approved and authorised for issue by the board of Directors (the “**Board**”) on 11 May 2022.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (hereinafter collectively referred to as the “**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure provisions of the GEM Listing Rules.

These unaudited condensed consolidated financial statements do not include all the information and disclosures required in a full set of financial statements prepared in accordance with HKFRSs, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2021 (the “**2021 annual financial statements**”).

These unaudited condensed consolidated financial statements have been prepared with the same accounting policies adopted in the 2021 annual financial statements, except for those that relate to new or revised HKFRSs effective for the first time for periods beginning on or after 1 January 2022. The adoption of these new or revised HKFRSs has had no material effect on the amounts reported and/or disclosures set out in these unaudited condensed consolidated financial statements. The Group has not early adopted any other new or revised HKFRSs that has been issued but is not yet effective.

These unaudited condensed consolidated financial statements have not been audited but have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

3. FINANCE COSTS

	Unaudited	
	Three months ended	
	31 March	
	2022	2021
	HK\$'000	HK\$'000
Interest expenses on lease liabilities	29	12

4. INCOME TAX EXPENSE

The amount of the income tax expense represents the following:

	Unaudited	
	Three months ended	
	31 March	
	2022	2021
	HK\$'000	HK\$'000
Current tax	-	-

Hong Kong profits tax is calculated at 16.5% (2021: 16.5%) on the estimated assessable profit for the period. No provision for Hong Kong profits tax has been made in the condensed consolidated 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 three months ended 31 March 2022 (2021: 25%).

5. DIVIDENDS

The Board does not recommend the payment of any dividend of the Company for the three months ended 31 March 2022 (2021: nil).

6. LOSS PER SHARE

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

	Unaudited	
	Three months ended	
	31 March	
	2022	2021
	HK\$'000	HK\$'000
Loss		
Loss attributable to owners of the Company	<u><u>(8,461)</u></u>	<u><u>(6,946)</u></u>
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share (<i>in thousand</i>)	<u><u>829,404</u></u>	<u><u>691,170</u></u>

Diluted loss per share for loss attributable to owners of the Company for the three months ended 31 March 2021 and 2022 was the same as basic loss per share because the impact of the exercise of share options is anti-dilutive.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the three months ended 31 March 2022 (“**Q1 2022**” or “**Current Period**”), the Group’s principal activities were broadly divided into the trading of metal 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.

Trading of metal

As of Q1 2022, the global pandemic is still not yet under control. Triggered by the Omicron variant, the fifth wave of pandemic outbreak in Hong Kong has caused the Hong Kong government to adopt the most stringent social distance restrictions and other pandemic prevention measures and the import, export and logistics industry is also greatly affected, with a concurrent increase in settlement risks. In the PRC Mainland, the sporadic outbreak of the pandemic, coupled with temporary close-down and static management measures, has also brought huge impact to ports, logistics and supply chains. This business segment has seen a significant increase in instability and uncertainty, and the business environment remains complex and challenging.

The precious metal and silver business under the metal business segment is declining year by year, which is due to the shrinking supply of goods on the one hand and the relatively shrinking market demand on the other hand. For the Group’s silver refining and processing business in Hong Kong, due to the shortage of the supply of goods from the PRC Mainland to Hong Kong, the export asking price was raised up. Coupled with the impact of the pandemic in 2020 and 2021, the restrictions on customs clearance have made face-to-face business negotiations basically impossible and led to blocked supply chains and logistics, disrupted flights, instability of cross-border transport and increasing transaction costs and transaction risks, which greatly affected the development of business.

Therefore, in the past two years, our metal business has mainly been domestic trade of gold in Hong Kong. According to industry standards, even if we engage in domestic trade of gold in Hong Kong, we choose clients based on their qualifications, reputation, source of goods, source of funds, etc., so currently we have only selected one reliable client as our partner. Meanwhile, as the price of gold fluctuates greatly with high requirements for risk control, we are also hedging at the same time. As hedging itself also has risks, we controlled the scale of our gold business during the two-year pandemic period while actively seeking opportunities to develop this business. As for our silver processing and smelting business, despite the severe impact of the pandemic, we still retained our factory manager and technical backbone, and kept in touch with several skilled part-time technicians. We took advantage of the gap during the pandemic to inspect and repair plant equipment and facilities to keep them available, so that we can start work at any time when the pandemic eases and the supply of goods recovers.

In view of the above situation, we started to liaise in the PRC Mainland and expand domestic business in 2020 and 2021. At the beginning of 2020, the outbreak of the global pandemic and the lock-down in the PRC Mainland and Hong Kong made it impossible to negotiate trade in depth. In September 2021, the second Sichuan-Hong Kong Cooperation Summit was held in Chengdu. The meeting mentioned that Sichuan enterprises will continue to rely on Hong Kong as a window and bridge to connect with the world, and jointly develop and expand overseas markets with Hong Kong.

Taking this opportunity of the Sichuan-Hong Kong High-level Summit, a state-owned enterprise in Sichuan Province contacted us to discuss cooperation matters through relevant information and channel recommendations. This state-owned enterprise in Sichuan Province itself has a large number of import and export business and domestic trade industry chain and supply chain business in the field of metal business. In the field of import and export business, futures hedging transactions are required in order to avoid risks. However, as state-owned enterprises in the PRC Mainland are subject to the regulation of national policies, state-owned enterprises are not allowed to conduct hedging transactions in the PRC Mainland. In addition, as the state-owned enterprise is not familiar with Hong Kong futures trading rules and related regulations, it needs to find an experienced and reliable Hong Kong company for cooperation in order to avoid risks. In the field of metals, the Company has accumulated many years of successful experience in futures trading for the purpose of hedging, and has the background of a listed company. Therefore, we are currently negotiating with the state-owned enterprise on relevant cooperation matters.

In addition, during the business negotiation process between the two parties, the state-owned enterprise learned that we are actively expanding the industrial chain and supply chain business development of the metal business in the PRC Mainland, and recommended us an industrial supply chain unit – a company in Sichuan Province (the national hardware and electromechanical information collection unit in the PRC Mainland and the supply chain unit of hardware and electromechanical standard parts in Sichuan Province) (the “**PRC Company**”) for cooperation. The Group has signed a cooperation agreement with the PRC Company in Q1 2022. Currently, the Group and the PRC Company are negotiating an agreement to further substantiate the framework laid by the cooperation agreement. We are positive that these agreements will provide a solid foundation for development of our metal business and will enable our revenue to greatly improve by the end of 2022 (if there are no large-scale and uncontrollable outbreaks in the PRC Mainland, including but not limited to long-term and large-scale lockdowns, etc., and there are no sudden international disputes and sanctions, wars, natural disasters, earthquakes and other force majeure situations involving the PRC Mainland). In this industry chain, we believe that we will achieve greater development in the next step.

In Q1 2022, the Group’s progress in expanding the industrial chain and supply chain of our metal business in the PRC Mainland market is generally in line with our expectation and has boosted our confidence in leveraging the regional advantages of Hong Kong to integrate into the overall development of the state. At the same time, the Group will continue to place emphasis on risk control and prudent business partner selection as our primary principles in order to achieve sustainable and steady development. In Q1 2022, the Group’s metal trading business recorded an improvement in revenue compared to the same period in last year, with sales revenue from this business segment amounting to approximately HK\$4.3 million (for the three months ended 31 March 2021: Nil). This growth in revenue from metal trading business underlined the Group’s effort and commitment to sustain and further develop the metal business despite the pandemic. The Group is confident that it will be able to further improve and expand its metal business after the pandemic situation has gradually stabilized and people flow between Hong Kong and the PRC Mainland has returned to normal.

Provision of education management services

As of Q1 2022, our indirect subsidiary, 四川港銀雅匯教育管理有限公司 (Sichuan Loco Yahui Education Management Limited*) (“**Loco Yahui**”), was principally engaged in the provision of education management and consulting services to different schools in the PRC Mainland.

Objectively speaking, the education industry in the PRC Mainland developed well in 2019, and it was in good condition in 2018 and 2019. The capital market was also very optimistic about the prospects of the education industry. As the Group had resources and contacts in the PRC Mainland, it obtained returns in the year of introduction in 2019. At the beginning of 2020, due to the sudden outbreak of the pandemic which was a force majeure, schools were closed for more than half a year and were greatly affected. We began to gradually recover in September and October 2020. However, as the government’s new policies on the rectification and reform of education burst out and the documents of the General Office of the CPC Central Committee and the General Office of the State Council, the “Double Reduction Opinions” (Relevant rectification policies to reduce the burden of homework and off-campus training for students in compulsory education) and related supporting policies were successively issued in 2021, educational institutions were teetering, and the overall education industry in the PRC Mainland 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, we believe 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 our business.

In Q1 2022, there were also regional outbreaks of Omicron variant in the PRC Mainland, which led to strict preventive and control measures such as temporary close-down of communities and static management by the local health authorities. Such measures, coupled with the impact of the Spring Festival and the class suspension during the winter vacation in the PRC Mainland in February, led to a significant decrease in revenue of our education management services segment in Q1 2022. This business segment contributed revenue of approximately HK\$0.4 million (for the three months ended 31 March 2021: approximately HK\$1.2 million) to the Group during the Current Period.

For this business segment, we will continue to pay close attention to the policy and regulatory environment, and will optimize our business model and related arrangements in response to the new national education reform policy.

Provision of money lending services

As of Q1 2022, due to the continuous spread of the global COVID-19 pandemic, the resumption of operation and production, as well as the economic and social development, faced new difficulties and challenges, and the environment for individual employment and corporate operations remained challenging. Likewise, market conditions in the PRC Mainland have also been affected, and we believe that the credit risk in our money lending services remains high. Due to the uncertain economic situation and business outlook, the Group strictly adheres to a prudent credit assessment and review policy and assesses the creditworthiness of existing and potential customers in a timely manner based on the prevailing market conditions and the respective background of the customers. As the prevailing uncertain economic conditions would affect asset valuation projections, business forecasts and individual repayment capacity projections, the Group has adopted further enhanced risk control measures and prudent evaluation and lending policies in selecting qualified credit applicants for potential business opportunities. However, we will expand our business accordingly when the time comes. Therefore, no revenue was recorded in this business segment in Q1 2022 (for the three months ended 31 March 2021: Nil).

OUTLOOK

Given that the international situation and the international economic environment becoming more complex, severe and uncertain, coupled with the repeated global pandemic and the resurgence of the fifth wave of the pandemic in Hong Kong, 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, 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 national education management reform policy, 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 three months ended 31 March 2022, the Group had a total revenue of approximately HK\$4.71 million (for the three months ended 31 March 2021: approximately HK\$1.18 million), representing an increase of approximately 299% as compared with the three months ended 31 March 2021. For the three months ended 31 March 2022, the Group recorded a loss of approximately HK\$9.5 million (for the three months ended 31 March 2021: approximately HK\$7.5 million), representing an increase of approximately 27% as compared with the three months ended 31 March 2021. The increase in loss was mainly attributable to net effect of:

- (i) an increase in the Group's total revenue of approximately HK\$3.53 million as discussed above;
- (ii) the carrying value of inventories sold was recognised approximately HK\$4.3 million (for the three months ended 31 March 2021: Nil);
- (iii) a decrease in employee costs of approximately HK\$1.5 million; and
- (iv) an increase in other operating expenses of approximately HK\$2.3 million.

For the three months ended 31 March 2022, the Group's loss attributable to owners of the Company was approximately HK\$8.5 million, as compared to the loss attributable to owners of the Company of approximately HK\$6.9 million for the three months ended 31 March 2021.

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 March 2022, no gearing ratio was presented as the Group has net cash surplus (31 December 2021: net cash surplus).

CHARGE ON THE GROUP'S ASSETS

As at 31 March 2022, no Group's asset was pledged as security (31 December 2021: Nil).

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 March 2022, the Group did not have any concrete plan for material investments or capital assets.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the three months ended 31 March 2022, the Group did not have any significant investments, acquisitions and disposals.

CAPITAL COMMITMENT

As at 31 March 2022, the Group did not have any significant capital commitment (31 December 2021: Nil).

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.

CONTINGENT LIABILITIES

As at 31 March 2022, 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 2021: Nil) and there has not been any material change in the contingent liabilities of the Group since 31 March 2022.

OTHER INFORMATION

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

As at 31 March 2022, 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)
Executive Directors:					
Mr. Wang Wendong	Beneficial Owner	–	5,700,000	5,700,000	0.69%
Mr. Fung Chi Kin	Beneficial Owner	–	5,700,000	5,700,000	0.69%
Independent Non-Executive Directors:					
Mr. Zhou Tianshu	Beneficial Owner	–	570,000	570,000	0.07%
Ms. Wu Liyan	Beneficial Owner	–	570,000	570,000	0.07%
Ms. Wong Susan Chui San	Beneficial Owner	–	570,000	570,000	0.07%

Note 1: These are share options granted by the Company to the Directors under the Scheme on 27 August 2019. 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 829,404,000 shares as at 31 March 2022.

(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 1.1.2022	Granted	Exercised	Cancelled	Lapsed	Outstanding as at 31.3.2022
Mr. Wang Wendong	27.8.2019	0.616	27.8.2019 – 26.8.2022 (Note 1)	5,700,000	-	-	-	-	5,700,000
Mr. Fung Chi Kin	27.8.2019	0.616	27.8.2019 – 26.8.2022 (Note 1)	5,700,000	-	-	-	-	5,700,000
Mr. Zhou Tianshu	27.8.2019	0.616	27.8.2019 – 26.8.2022 (Note 1)	570,000	-	-	-	-	570,000
Ms. Wu Liyan	27.8.2019	0.616	27.8.2019 – 26.8.2022 (Note 1)	570,000	-	-	-	-	570,000
Ms. Wong Susan Chui San	27.8.2019	0.616	27.8.2019 – 26.8.2022 (Note 1)	570,000	-	-	-	-	570,000
				<u>13,110,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,110,000</u>

Note 1: The share options granted will 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, the share options once vested shall be exercisable on a cumulative basis.

Short Positions

As at 31 March 2022, no short positions of Directors and chief executives in the shares of the Company and its associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rule.

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

As at 31 March 2022, 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 held	Approximate percentage of shareholding (Note)
Hon Pok	Beneficial owner	76,000,000	9.16%
Poon Lai	Beneficial owner	55,300,000	6.67%
Zhang Bo	Beneficial owner	45,000,000	5.43%
Fung Ping Tak	Beneficial owner	55,000,000	6.63%
Poon Kwan Ho	Beneficial owner	46,000,000	5.55%
So Hing Sang	Beneficial owner	41,964,000	5.06%
Liu Chengnan	Beneficial owner	41,960,000	5.06%
Wong Man Na	Beneficial owner	41,960,000	5.06%

Note: The approximate percentage of shareholding was calculated based on the total number of ordinary shares in issue, being 829,404,000 shares as at 31 March 2022.

Save as disclosed above, no other interests or short positions of any persons/entities (other than the Directors and the chief executives of the Company) in the shares or underlying shares of the Company were recorded in the register or as otherwise notified to the Company and the Stock Exchange as at 31 March 2022.

SHARE OPTIONS

The Company adopted a share option scheme on 22 July 2014 (the “**Share Option Scheme**”), a summary of the share options granted under the Share Option Scheme are as follows:

Type of participants	Grant date	Exercise price per share <i>HK\$</i>	Exercise period	Number of share options and underlying shares					Outstanding as at 31.3.2022
				Outstanding as at 1.1.2022	Granted	Exercised	Cancelled	Lapsed	
Directors	27.8.2019	0.616	27.8.2019 – 26.8.2022 (<i>Note</i>)	13,110,000	-	-	-	-	13,110,000
Employees	10.4.2015	0.78	10.4.2015 – 9.4.2025	160,000	-	-	-	-	160,000
	27.8.2019	0.616	27.8.2019 – 26.8.2022 (<i>Note</i>)	23,500,000	-	-	-	-	23,500,000
Others	10.4.2015	0.78	10.4.2015 – 9.4.2025	120,000	-	-	-	-	120,000
				<u>36,890,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,890,000</u>

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.

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 expected life of the options may not be necessarily indicative of the exercise pattern that may occur. The expected volatility reflects the assumption that the historical volatility of comparable companies are indicative of future trends, which may also not necessarily be the actual outcome.

The 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 life of option	3 years

Estimation of the value of the share options is subjective and uncertain as such values are subject to a number of assumptions and with regard to the limitation of the model. The expected volatility is based on the historical volatility reflecting the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The expected early exercise multiplier is also estimated and is not necessarily indicative of the exercise patterns that may occur.

All significant features necessary to be considered for the measurement of fair values of the share options granted during the period were incorporated into such measurement.

The Group did not recognised employee costs for the three months ended 31 March 2022 (for the three months ended 31 March 2021: approximately HK\$0.3 million) in relation to share options granted by the Company.

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

During the three months ended 31 March 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPETITION AND CONFLICT OF INTEREST

To the best knowledge of the Directors, none of the Directors, management, shareholders or substantial shareholders of the Company or any of its respective associates has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, as defined in the GEM Listing Rules, or has any other conflict of interests with the Group during the three months ended 31 March 2022.

CORPORATE GOVERNANCE

Code on Corporate Governance Practices

During the three months ended 31 March 2022, 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 C.2.1 of the Code Provisions as explained below.

C.2.1 of the Code Provisions stipulates that the roles of chairman and chief executive officer should be separated. Mr. Wang Wendong currently 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.

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 three months ended 31 March 2022.

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 D.3.3 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 system, risk management and internal control systems.

As at the date of this announcement, 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 quarterly results announcement, including the unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2022, prior to recommending them to the Board for approval.

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

Hong Kong, 11 May 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.