

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



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

(incorporated in Hong Kong with limited liability)

(Stock Code: 8162)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 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 “**Director(s)**”) of Loco Hong Kong Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on 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**”) presents the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the three months and six months ended 30 June 2021, together with the comparative unaudited figures for the corresponding periods in 2020, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Note</i>	Unaudited			
		Six months ended		Three months ended	
		2021	2020	2021	2020
		30 June	30 June	30 June	30 June
		2021	2020	2021	2020
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue					
– Sales of precious metal		1,782	–	1,782	–
– Education management services		3,376	820	2,196	208
– Interest income from customers and suppliers		–	9	–	–
		-----	-----	-----	-----
		5,158	829	3,978	208
Trading losses on commodity forward contracts		(4)	(126)	(4)	(104)
Other income		67	267	15	219
		-----	-----	-----	-----
		5,221	970	3,989	323
Carrying value of inventories sold		(1,801)	–	(1,801)	–
Change in fair value of commodity inventory		(4)	121	9	133
Depreciation of property, plant and equipment		(631)	(628)	(318)	(318)
Depreciation of right-of-use assets		(1,484)	(1,191)	(724)	(604)
Employee costs		(9,672)	(10,235)	(4,576)	(5,240)
Fair value losses on other financial assets		–	(2,486)	–	(2,486)
Other operating expenses		(4,001)	(3,691)	(1,827)	(1,772)
Provision of loss allowance on loan receivables		–	(1,420)	–	(1,420)
(Provision)/reversal of provision of loss allowance on trade and other receivable		(205)	357	(174)	50
Rental expenses		(640)	(579)	(327)	(579)
Share of profits of associates		79	60	62	22
Finance costs	5	(40)	(35)	(28)	(16)
		-----	-----	-----	-----

	<i>Note</i>	Unaudited			
		Six months ended		Three months ended	
		30 June		30 June	
		2021	2020	2021	2020
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before income tax expense		(13,178)	(18,757)	(5,715)	(11,907)
Income tax (expense)/credit	6	(4)	–	(4)	15
Loss for the period		<u>(13,182)</u>	<u>(18,757)</u>	<u>(5,719)</u>	<u>(11,892)</u>
Loss for the period attributable to:					
– Owners of the Company		(12,561)	(18,388)	(5,615)	(11,371)
– Non-controlling interests		(621)	(369)	(104)	(521)
		<u>(13,182)</u>	<u>(18,757)</u>	<u>(5,719)</u>	<u>(11,892)</u>
Loss for the period		(13,182)	(18,757)	(5,719)	(11,892)
Other comprehensive income/(loss)					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		157	(531)	257	124
Total comprehensive loss for the period		<u>(13,025)</u>	<u>(19,288)</u>	<u>(5,462)</u>	<u>(11,768)</u>
Total comprehensive (loss)/income for the period attributable to:					
– Owners of the Company		(12,479)	(18,665)	(5,480)	(11,307)
– Non-controlling interests		(546)	(623)	18	(461)
		<u>(13,025)</u>	<u>(19,288)</u>	<u>(5,462)</u>	<u>(11,768)</u>
		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Basic and diluted loss per share	8	<u>(1.82)</u>	<u>(3.19)</u>	<u>(0.82)</u>	<u>(1.97)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited 30 June 2021 <i>HK\$'000</i>	Audited 31 December 2020 <i>HK\$'000</i>
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		2,451	2,549
Right-of-use assets		2,045	2,312
Interest in an associate		8,160	8,081
Other financial assets	9	5,500	5,500
		18,156	18,442
Current assets			
Inventories		273	277
Trade and other receivables and prepayments	10	20,988	7,978
Loan receivable		–	–
Cash and cash equivalents		7,706	28,964
		28,967	37,219
Current liabilities			
Other payables and accruals		6,083	1,901
Derivative financial liabilities		4	–
Tax payable		–	19
Lease liabilities		1,579	1,859
		7,666	3,779
Net current assets		21,301	33,440
Total assets less current liabilities		39,457	51,882

	Unaudited	Audited
	30 June	31 December
	2021	2020
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities		
Deferred tax liabilities	143	143
Lease liabilities	472	516
	<u>615</u>	<u>659</u>
Net assets	<u>38,842</u>	<u>51,223</u>
Equity		
Share capital	161,112	161,112
Reserves	(125,379)	(113,544)
Equity attributable to the owners of the Company	35,733	47,568
Non-controlling interests	3,109	3,655
Total equity	<u>38,842</u>	<u>51,223</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited						Equity attributable to owners of the Company HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Merger reserve HK\$'000	Share option reserve HK\$'000	Statutory reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000			
At 1 January 2020	144,480	(1,357)	4,135	-	(16)	(73,127)	74,115	8,893	83,008
Loss for the period	-	-	-	-	-	(18,388)	(18,388)	(369)	(18,757)
Other comprehensive loss:									
Exchange differences on translating foreign operations	-	-	-	-	(277)	-	(277)	(254)	(531)
Total comprehensive loss for the period	-	-	-	-	(277)	(18,388)	(18,665)	(623)	(19,288)
Capital injection by non-controlling interest	-	-	-	-	-	-	-	492	492
Transfer of statutory reserve	-	-	-	1,643	-	(1,643)	-	-	-
Lapsed share option	-	-	(127)	-	-	127	-	-	-
Recognition of equity-settled share-based payments	-	-	1,934	-	-	-	1,934	-	1,934
At 30 June 2020	<u>144,480</u>	<u>(1,357)</u>	<u>5,942</u>	<u>1,643</u>	<u>(293)</u>	<u>(93,031)</u>	<u>57,384</u>	<u>8,762</u>	<u>66,146</u>
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	-	-	-	-	-	(12,561)	(12,561)	(621)	(13,182)
Other comprehensive income:									
Exchange differences on translating foreign operations	-	-	-	-	82	-	82	75	157
Total comprehensive income/(loss) for the period	-	-	-	-	82	(12,561)	(12,479)	(546)	(13,025)
Recognition of equity-settled share-based payments	-	-	644	-	-	-	644	-	644
At 30 June 2021	<u>161,112</u>	<u>(1,357)</u>	<u>7,644</u>	<u>1,647</u>	<u>751</u>	<u>(134,064)</u>	<u>35,733</u>	<u>3,109</u>	<u>38,842</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended	
	30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash flows from operating activities		
Loss before income tax	<u>(13,178)</u>	<u>(18,757)</u>
Adjustments for:		
Change in fair value of commodity inventories	4	(121)
Depreciation of property, plant and equipment	631	628
Depreciation of right-of-use assets	1,484	1,191
Employee share option expenses	644	1,934
Fair value losses on other financial assets	–	2,486
Interest income	(20)	(22)
Interest expenses	40	35
Provision of loss allowance on loan receivable	–	1,420
Provision/(reversal of provision) of loss allowance on trade and other receivables	205	(357)
Share profit of associates	(79)	(60)
Trading losses on commodity forward contracts	<u>4</u>	<u>126</u>
Operating cash flows before changes in working capital	(10,265)	(11,497)
Increase in inventories	–	(1,216)
(Increase)/decrease in trade and other receivables and prepayments	(13,066)	23,467
Increase/(decrease) in other payables and accruals	<u>4,170</u>	<u>(9)</u>
Cash (used in)/generated from operations	(19,161)	10,745
Income taxes paid	<u>(23)</u>	<u>(4,882)</u>
<i>Net cash (used in)/generated from operating activities</i>	<u>(19,184)</u>	<u>5,863</u>

	Unaudited	
	Six months ended	
	30 June	
	2021	2020
	HK\$'000	HK\$'000
Cash flows from investing activities		
Interest received	12	14
Purchases of property, plant and equipment	<u>(526)</u>	<u>(419)</u>
Net cash used in investing activities	<u>(514)</u>	<u>(405)</u>
Cash flows from financing activities		
Capital injected into a subsidiary by non-controlling interest	–	492
Interest element of lease payment paid	(28)	(35)
Repayments of capital element of lease payment	<u>(1,534)</u>	<u>(1,230)</u>
Net cash used in financing activities	<u>(1,562)</u>	<u>(773)</u>
Net (decrease)/increase in cash and cash equivalents	(21,260)	4,685
Cash and cash equivalents at beginning of the period	28,964	28,724
Effect of foreign exchange rate changes	<u>2</u>	<u>(582)</u>
Cash and cash equivalents at end of the period	<u>7,706</u>	<u>32,827</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. Its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The address of its registered office and principal place of business is Unit 401, 4/F., Fairmont House, 8 Cotton Tree Drive, Admiralty, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (collectively the “**Group**”) are principally engaged in trading of precious metal and commodity forward contracts 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 condensed consolidated interim financial statements of the Group for the six months ended 30 June 2021 are presented in thousands of units of Hong Kong dollars (“**HK\$’000**”), unless otherwise stated. These condensed consolidated interim financial statements were authorised for issue by the Directors on 11 August 2021.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

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

These condensed consolidated interim financial statements do not include all the information and disclosures required in a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2020 (the “**2020 annual financial statements**”).

These condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the 2020 annual financial statements, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2021. The adoption of these new or revised HKFRSs has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated interim financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

The financial information relating to the year ended 31 December 2020 included in these condensed consolidated interim financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

- The Company has delivered the financial statements for the year ended 31 December 2020 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.
- The Company's auditor has reported on the financial statements for the year ended 31 December 2020. The auditor's report was unqualified; did not include a reference to any matter to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

3. USE OF JUDGEMENTS AND ESTIMATES

In preparing this condensed consolidated interim financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2020 annual financial statements.

4. 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-maker that are used to make strategic decision. The Group manages its business by divisions, which are organised by business lines.

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

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

(a) Segment results, assets and liabilities

	Unaudited			Total HK\$'000
	Trading of precious metal HK\$'000	Education management services HK\$'000	Money lending services HK\$'000	
Six months ended 30 June 2021				
Reportable segment revenue (<i>note (i)</i>)	<u>1,782</u>	<u>3,376</u>	<u>–</u>	<u>5,158</u>
Reportable segment loss	<u>(1,615)</u>	<u>(1,275)</u>	<u>(216)</u>	<u>(3,106)</u>
As at 30 June 2021				
Reportable segment assets	15,612	23,406	–	39,018
Reportable segment liabilities	<u>779</u>	<u>443</u>	<u>27</u>	<u>1,249</u>

	Unaudited			Total HK\$'000
	Trading of precious metal HK\$'000	Education management services HK\$'000	Money lending services HK\$'000	
Six months ended 30 June 2020				
Reportable segment revenue (<i>note (i)</i>)	<u>–</u>	<u>820</u>	<u>9</u>	<u>829</u>
Reportable segment loss	<u>(1,896)</u>	<u>(625)</u>	<u>(1,532)</u>	<u>(4,053)</u>
As at 31 December 2020 (Audited)				
Reportable segment assets	15,663	17,409	81	33,153
Reportable segment liabilities	<u>316</u>	<u>587</u>	<u>88</u>	<u>991</u>

Notes:

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

(b) Reconciliation of reportable segment results

	Unaudited	
	Six months ended	
	30 June	
	2021	2020
	HK\$'000	HK\$'000
Reportable segment loss	(3,106)	(4,053)
Depreciation of property, plant and equipment	(124)	(225)
Depreciation of right-of-use assets	(1,120)	(776)
Interest expenses	(32)	(22)
Employee costs	(6,428)	(7,757)
Fair value losses on other financial assets	–	(2,700)
Other unallocated corporate expenses	(2,368)	(3,224)
	<u>(13,178)</u>	<u>(18,757)</u>

(c) Disaggregation of revenue

	Unaudited							
	Six months ended 30 June							
	Trading of		Education		Money lending services		Total	
	precious metal		managements services					
	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Primary geographical markets								
Hong Kong	1,782	–	–	–	–	9	1,782	9
PRC (exclude Hong Kong)	–	–	3,376	820	–	–	3,376	820
	<u>1,782</u>	<u>–</u>	<u>3,376</u>	<u>820</u>	<u>–</u>	<u>9</u>	<u>5,158</u>	<u>829</u>

(d) Disaggregation of revenue from contracts with customers

	Unaudited	
	Six months ended	
	30 June	
	2021	2020
	HK\$'000	HK\$'000
By timing of revenue recognition:		
Control transferred over time	3,376	820
Control transferred at a point in time	<u>1,782</u>	<u>–</u>
	<u>5,158</u>	<u>820</u>

5. FINANCE COSTS

	Unaudited			
	Six months ended		Three months ended	
	30 June		30 June	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest expenses on other borrowing	12	–	12	–
Interest expenses on lease liabilities	<u>28</u>	<u>35</u>	<u>16</u>	<u>16</u>
	<u>40</u>	<u>35</u>	<u>28</u>	<u>16</u>

6. INCOME TAX (EXPENSE)/CREDIT

The amount of the income tax (expense)/credit represents the following:

	Unaudited			
	Six months ended		Three months ended	
	30 June		30 June	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax	<u>(4)</u>	<u>–</u>	<u>(4)</u>	<u>15</u>

Hong Kong Profits Tax is calculated at 16.5% (2020: 16.5%) on the estimated assessable profits for the period. No provision for Hong Kong Profits Tax has been made in the condensed consolidated interim financial statements as the Group incurred tax losses for the period.

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

7. DIVIDENDS

The Board does not recommend the payment of any dividend of the Company for the six months ended 30 June 2021 (2020: nil).

8. LOSS PER SHARE

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

	Unaudited			
	Six months ended		Three months ended	
	30 June		30 June	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss attributable to owners of the Company	<u>(12,561)</u>	<u>(18,388)</u>	<u>(5,615)</u>	<u>(11,371)</u>
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<u>691,170,000</u>	<u>576,170,000</u>	<u>691,170,000</u>	<u>576,170,000</u>

Diluted loss per share for loss attributable to owners of the Company for the three months and six months ended 30 June 2021 and 2020 was the same as basic loss per share because the impact of the exercise of share options is anti-dilutive.

9. OTHER FINANCIAL ASSETS

	Unaudited	Audited
	30 June 2021 <i>HK\$'000</i>	31 December 2020 <i>HK\$'000</i>
Financial assets measured at fair value through profit or loss (“FVTPL”)		
– Unlisted equity securities A (<i>note a</i>)	1,000	1,000
– Unlisted equity securities B (<i>note b</i>)	<u>4,500</u>	<u>4,500</u>
	<u>5,500</u>	<u>5,500</u>

Notes:

- (a) The unlisted equity securities A are shares in Grand Max Enterprises Limited (“**Grand Max**”), a company incorporated in Hong Kong which is currently investing in some innovative technology projects. As at 30 June 2021, the Group held 16.7% equity interest in Grand Max (31 December 2020: 16.7%).
- (b) The unlisted equity securities B are shares in Lexus Group (Asia) Limited (“**Lexus**”), a company incorporated in Hong Kong which is currently trading gold, silver and other precious and base metals. As at 30 June 2021, the Group held 18% equity interest in Lexus (31 December 2020: 18%).

10. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	Unaudited	Audited
	30 June	31 December
	2021	2020
	HK\$'000	HK\$'000
Trade receivables	7,993	4,496
Less: provision for loss allowance	(223)	(125)
Trade receivables – net (<i>note</i>)	7,770	4,371
Loan interest receivable	893	893
Less: provision for loss allowance	(893)	(893)
Loan interest receivable – net	–	–
Other receivables and deposits	11,496	3,408
Less: provision for loss allowance	(180)	(71)
Other receivables and deposits – net	11,316	3,337
Prepayments	1,902	270
	20,988	7,978

Note: Trade receivables

The credit period granted to customers are 3 months generally.

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

	Unaudited	Audited
	30 June	31 December
	2021	2020
	HK\$'000	HK\$'000
0 – 30 days	2,259	4,371
31 – 60 days	–	–
61 – 90 days	1,225	–
Over 90 days	4,286	–
	<u>7,770</u>	<u>4,371</u>

11. RELATED PARTY TRANSACTIONS

- (a) Saved as disclosed elsewhere in this announcement, the Group has no any significant related party transactions for the three months and six months ended 30 June 2021 (2020: nil).
- (b) Key management includes members of the board of directors and other members of key management of the Group. Their emoluments are set out as follows:

	Unaudited			
	Six months ended		Three months ended	
	30 June		30 June	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Salaries and short-term employee benefits	3,460	3,055	1,664	1,463
Contributions to pension scheme	27	17	14	8
	<u>3,487</u>	<u>3,072</u>	<u>1,678</u>	<u>1,471</u>

12. FINANCIAL INSTRUMENTS

(a) Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, trade and other receivables, loan receivable and other payables and accruals. Due to their short-term nature, the carrying values of the above financial instruments approximates their fair values.

(b) Financial instruments measured at fair value

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

	Unaudited			
	30 June 2021			
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets at FVTPL:				
– Unlisted equity securities	–	–	5,500	5,500
Financial liabilities at FVTPL:				
– Commodity forward contracts	–	4	–	4
	<u>–</u>	<u>4</u>	<u>–</u>	<u>4</u>
	Audited			
	31 December 2020			
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets at FVTPL:				
– Unlisted equity securities	–	–	5,500	5,500
	<u>–</u>	<u>–</u>	<u>5,500</u>	<u>5,500</u>

During the six months ended 30 June 2021, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3 (unobservable inputs).

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30 June 2021 (“**1H2021**” or the “**Current Period**”), the Group’s principal activities were broadly divided into the sales of precious metals 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.

Sales of precious metals

As of 1H2021, the global COVID-19 pandemic has been mitigated by increasing vaccine efforts in various countries on the one hand. However, on the other hand, due to a new wave of pandemic brought by the rapid spread of the virus variants, the market was still full of instability and uncertainty in the balance between pandemic prevention and economic promotion. With the U.S. government’s significant increase in expenditure in trillions of dollars and the U.S. Federal Reserve’s adoption of quantitative easing monetary stimulus policy with large-amount purchases of bonds, the international gold and silver prices have been fluctuating at a high level during the Current Period, coupled with the impact of the pandemic on the economy and employment, the demand for physical gold and silver was very weak. During the Current Period, the supply of silver scrap (non-standard) products was also scarce, the market competition was intensified, and the domestic and foreign logistics was still unstable, leading to increased risks in the business of silver smelting and trading. The COVID-19 pandemic in Hong Kong subsided during the Current Period, but the condition of the import and export logistics industry has not improved significantly and the settlement risk was still high. Although the Group endeavoured to seek other business opportunities in this business segment during the Current Period, it believed that the business risks of this segment were still volatile and required the exercise of caution and further risk control based on its consistent strategy of strict compliance with risk management and control. Therefore, sales revenue from this business segment during the Current Period was only approximately HK\$1.78 million. Although the performance of this business segment will not be optimistic in the next quarter, we believe that market conditions may improve if the impact of the COVID-19 pandemic becomes more controllable and alleviated (for the six months ended 30 June 2020: Nil).

Provision of education management services

During the Current Period, 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. During the Current Period, the PRC Mainland government stepped up its efforts in the reform and control measures for the education industry. In May 2021, the PRC Mainland government issued a new revised draft of the Regulations on the Implementation of the Non-state Education Promotion Law of the People’s Republic of China (《中華人民共和國民辦教育促進法實施條例》) (the 2021 version of the Non-state Education Promotion Law). On 21 May 2021, the National Central Commission for the Comprehensive Deepening of Reform considered and approved the Opinions on Further Reducing the Burden of Compulsory Education Students’ Homework and Off-campus Training (《關於進一步減輕義務教育階段學生作業負擔和校外培訓負擔的意見》) (the “Two Reductions” regulations). The above new policies and regulations will be officially implemented in the third quarter of 2021, especially the “Two Reductions” regulations, which will have a considerable impact on the education industry. As for the specific impact, it is still necessary to conduct a comprehensive assessment based on further understanding of the follow-up implementation rules and implementation results of relevant government departments. We will re-examine the business model and related arrangements. Our operation of this business segment will strictly comply with the relevant national policies and regulations, and we will adjust relevant matters on an as-needed basis, so that our operation is always carried out in accordance with the laws and regulations. During the Current Period, with the effective prevention and control of the pandemic in the PRC Mainland, the education industry gradually recovered. In 1H2021, this business segment contributed approximately HK\$3.38 million in revenue to the Group (for the six months ended 30 June 2020: approximately HK\$0.82 million).

Provision of money lending services

As of 1H2021, due to the continuous spread of the virus variants in the COVID-19 pandemic globally, the resumption of work and production as well as economic and social development had been facing new difficulties and challenges, and the environment for individual employment and business operation remained grim. Similarly, the PRC Mainland market was also affected and hence the credit risk in the money lending services was perceived to be significantly higher accordingly. Given the stringent economic situation and business outlook, 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 forecast, the Group adopted a more prudent approach in selecting qualified credit applicants for potential business opportunities to strictly control risks. Therefore, no revenue was recorded in this business segment in 1H2021 (for the six months ended 30 June 2020: approximately HK\$9,000).

* *English name for identification purpose only*

Outlook

Given that the PRC Mainland and the global society and economy are still facing severe challenges, the precious metal and money lending businesses still require cautious assessment and robust risk control when the global pandemic is not yet under control. In the PRC Mainland, as the government stepped up its efforts in the reform and control measures for the education industry and successively issued a new version of the Regulations on the Implementation of the Non-state Education Promotion Law of the People's Republic of China and the Opinions on Further Reducing the Burden of Compulsory Education Students' Homework and Off-campus Training, which are expected to have a significant impact on the education management services business. As for their specific impact, it is still necessary to conduct a comprehensive assessment based on further understanding of the follow-up implementation rules and implementation results of relevant government departments. We will review the business model and adjust related arrangements on an as-needed basis. In addition, we will carefully manage the precious metal and money lending businesses, and continue to strengthen risk control. 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 six months ended 30 June 2021, the Group had a total revenue of approximately HK\$5.16 million (for the six months ended 30 June 2020: approximately HK\$0.829 million), representing an increase of approximately 522.2% as compared with the six months ended 30 June 2020. For the six months ended 30 June 2021, the Group recorded a loss of approximately HK\$13.2 million (for the six months ended 30 June 2020: approximately HK\$18.8 million), representing a decrease of approximately 29.7% as compared with the six months ended 30 June 2020. The decrease in loss was mainly attributable to the net effect of:

- (i) an increase in the Group's total revenue of approximately HK\$4.33 million as discussed above;
- (ii) the carrying value of inventories sold was recognised approximately HK\$1.8 million (for the six months ended 30 June 2020: Nil); and
- (iii) No fair value loss on investment in unlisted equity securities was recognised (for the six months ended 30 June 2020: approximately HK\$2.5 million).

For six months ended 30 June 2021, the Group's loss attributable to owners of the Company was approximately HK\$12.6 million, as compared to the loss attributable to owners of the Company of approximately HK\$18.4 million for the six months ended 30 June 2020.

Capital Structure, Liquidity and Financial Resources

As at 30 June 2021, the Group had cash and bank balances of approximately HK\$7.7 million (31 December 2020: approximately HK\$28.9 million) and net current assets of approximately HK\$21.3 million (31 December 2020: approximately HK\$33.4 million). As at 30 June 2021, the current ratio stood at 3.78 times (31 December 2020: 9.85 times).

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

As at 30 June 2021, no banking facilities were granted to the Group (31 December 2020: nil). The Directors believed that the Group had adequate financial resources to fulfill its commitments and working capital requirements.

Gearing ratio

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

As at 30 June 2021, no gearing ratio was presented as the Group has net cash surplus (31 December 2020: net cash surplus).

Charge on the Group's assets

As at 30 June 2021, no Group's asset was pledged as security (31 December 2020: Nil).

Future Plan for Material Investments and Capital Assets

As at 30 June 2021, the Group did not have any concrete plan for material investments or capital assets.

Significant investments, acquisitions and disposals

During the six months ended 30 June 2021, the Group did not have any significant investments, acquisitions and disposals.

Placing of New Shares Under General Mandate

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 30 June 2021, the aforesaid net proceeds use which are consistent with the intended use of proceeds has been applied as follows:

	Intended use of proceeds HK\$'000	Utilized amount of proceeds HK\$'000	Unutilized amount of proceeds HK\$'000
General working capital	<u>16,632</u>	<u>(12,013)</u>	<u>4,619</u>

As at 30 June 2021, net proceeds not yet utilized were deposited with licensed bank in the PRC Mainland.

Capital commitment

As at 30 June 2021, the Group did not have any significant capital commitment (31 December 2020: 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 30 June 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 our Group (31 December 2020: Nil) and there has not been any material change in the contingent liabilities of the Group since 30 June 2021.

Employees and remuneration policy

As at 30 June 2021, the Group employed a total of 35 staff (31 December 2020: 32). The total of employee remuneration, including remuneration of the Directors, for the six months ended 30 June 2021 amounted to approximately HK\$9.7 million (for the six months ended 30 June 2020: approximately HK\$10.2 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.

OTHER INFORMATION

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

As at 30 June 2021, 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	0.82%
Mr. Fung Chi Kin	Beneficial Owner	–	5,700,000	5,700,000	0.82%
Independent Non-Executive Directors:					
Mr. Zhou Tianshu	Beneficial Owner	–	570,000	570,000	0.08%
Ms. Wu Liyan	Beneficial Owner	–	570,000	570,000	0.08%
Ms. Wong Susan Chui San	Beneficial Owner	–	570,000	570,000	0.08%

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 691,170,000 shares as at 30 June 2021.

(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 1.1.2021	Granted	Exercised	Cancelled	Lapsed	Outstanding as at 30.6.2021
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 vest to the Directors at the date of grant (i.e. 27 August 2019), the first and second anniversary of the date of grant (i.e. 27 August 2020 and 27 August 2021, respectively) at an average amount and the share options once vested shall be exercisable on a cumulative basis.

Short Positions

As at 30 June 2021, no short positions of Directors or chief executives in the shares of the Company and its associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

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

As at 30 June 2021, 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 <i>(Note)</i>
Hon Pok	Beneficial owner	76,000,000	11.00%
Poon Lai	Beneficial owner	55,300,000	8.00%
Fung Ping Tak	Beneficial owner	55,000,000	7.96%
Poon Kwan Ho	Beneficial owner	46,000,000	6.65%
Zhang Bo	Beneficial owner	45,000,000	6.51%

Note: The approximate percentage of shareholding was calculated based on the total number of ordinary shares in issue, being 691,170,000 shares as at 30 June 2021.

Save as disclosed above, no other interests or short positions of any persons/entities (other than the Directors and the chief executives of the Company) in the shares or underlying shares of the Company were recorded in the register or as otherwise notified to the Company and the Stock Exchange as at 30 June 2021.

SHARE OPTIONS

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

Type of Participants	Grant Date	Exercise price per share HK\$	Exercise period	Number of share options and underlying shares					Outstanding as at 30.6.2021
				Outstanding as at 1.1.2021	Granted	Exercised	Cancelled	Lapsed	
Directors	27.8.2019	0.616	27.8.2019 – 26.8.2022 (Note)	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 (Note)	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 fair value of equity-settled share options granted during the year ended 31 December 2019 were HK\$0.211, HK\$0.212 and HK\$0.213 per option each for three tranches which will be vested on 27 August 2019, 27 August 2020 and 27 August 2021, respectively, amounted to approximately HK\$7,984,000 in aggregate. The fair values were estimated as at 27 August 2019, being the date of grant, using the Binomial Option Pricing Model and taking into account the terms and conditions upon which the options were granted. The significant assumptions and inputs used in the estimation of the fair value are as follows:

Share price at date of grant	HK\$0.60
Exercise price	HK\$0.616
Volatility	52.68%
Risk-free interest rate	1.31%
Dividend yield	0%
Early exercise multiplier	2.80
Expected option life	3 years

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

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

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPETITION AND CONFLICT OF INTEREST

During the six months ended 30 June 2021, to the best knowledge of the Directors, none of the Directors, management, shareholders or substantial shareholders of the Company or any of its respective associates had engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, as defined in the GEM Listing Rules, or has any other conflict of interests with the Group.

CORPORATE GOVERNANCE

Code on Corporate Governance Practices

During the six months ended 30 June 2021, to the best knowledge of the Board, the Company had complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 of the GEM Listing Rules (“**Code Provisions**”), save for the deviation from A.2.1 of the Code Provisions as explained below.

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

Code of Conduct Regarding Securities Transactions by Directors

The Company has adopted a code of conduct regarding securities transactions carried out by Directors, that is not laxer than relevant standards of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries to all Directors, they confirmed they had complied with the standards of dealings and the code of conduct regarding securities transactions carried out by Directors, adopted by the Company throughout the six months ended 30 June 2021.

Audit Committee

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

As at the date of this 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 interim report, including the condensed consolidated interim financial statements of the Group for the six months ended 30 June 2021, prior to recommending them to the Board for approval.

Remuneration Committee

The Company established the remuneration committee (the “**Remuneration Committee**”) on 22 July 2014 with written terms of reference in compliance with B.1 of the Code Provisions. Amongst other things, the primary duties of the Remuneration Committee are to make recommendations to the Board on remuneration packages of all of our executive Directors and senior management, including benefits in kind, pension rights and compensation payments, any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board on remuneration of independent non-executive Directors.

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

Nomination Committee

The Company established the nomination committee (the “**Nomination Committee**”) on 22 July 2014 with written terms of reference that was amended and adopted with effect from 2 January 2019 in compliance with A.5 of the Code Provisions. The Nomination Committee is mainly responsible for making recommendations to the Board on appointment and succession planning of our Directors. During the period, the diversity of the Board members was achieved by considering of a number of aspects, including but not limited to gender, age, culture and education background, professional experience, skills, knowledge and length of service of each Director. The Company recognises and embraces the benefits of diversity of the Board members. It endeavors to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company’ s business.

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

Executive Committee

The Company established the executive committee (the “**Executive Committee**”) on 19 December 2016 with written terms of reference. The Executive Committee is mainly responsible for monitoring the formulation, revision and implementation of the Company’s strategic plan and monitor the operation of its subsidiaries.

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

UPDATE OF DIRECTOR INFORMATION

There has been no update in the biographical details of the Directors further to those disclosed in the 2020 Annual Report of the Company.

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

Hong Kong, 11 August 2021

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.