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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 2023

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 Stock Exchange’s website at www.hkexnews.hk for at least seven days from the date of its publication and will be available on the Company’s website at www.locohkholdings.com.

The board of directors of the Company (the “**Board**”) presents the unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2023, together with the comparative unaudited figures for the corresponding periods in 2022, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | | Unaudited | |
|--|-------------|---------------------------|-----------------|
| | | Three months ended | |
| | | 31 March | |
| | <i>Note</i> | 2023 | 2022 |
| | | HK\$'000 | HK\$'000 |
| Revenue | | | |
| – Sales of metal | | 111,116 | 4,268 |
| – Education management services | | 8,195 | 446 |
| | | ----- | ----- |
| Total revenue | | 119,311 | 4,714 |
| Other income | | 13 | 36 |
| | | ----- | ----- |
| | | 119,324 | 4,750 |
| Carrying value of inventories sold | | (110,869) | (4,261) |
| Change in fair value of commodity inventories | | 2 | 9 |
| Depreciation on property, plant and equipment | | (235) | (310) |
| Depreciation on right-of-use assets | | (659) | (644) |
| Employee costs | | (2,613) | (3,644) |
| Fair value changes on other financial asset | | – | 50 |
| Rental expenses | | (299) | (379) |
| Other operating expenses | | (1,881) | (4,515) |
| Reversal of provision/(provision) of loss allowance on trade and other receivables | | 46 | (68) |
| Share of loss of an associate | | (33) | (460) |
| Finance costs | 3 | (219) | (29) |
| | | ----- | ----- |
| Profit/(loss) before income tax expense | | 2,564 | (9,501) |
| Income tax expense | 4 | (1,692) | – |
| | | ----- | ----- |
| Profit/(loss) for the period | | 872 | (9,501) |
| | | ----- | ----- |
| Profit/(loss) for the period attributable to: | | | |
| – Owners of the Company | | 872 | (8,461) |
| – Non-controlling interests | | – | (1,040) |
| | | ----- | ----- |
| | | 872 | (9,501) |
| | | ----- | ----- |

| | | Unaudited | |
|-------------|--|---------------------------|------------------------|
| | | Three months ended | |
| | | 31 March | |
| | | 2023 | 2022 |
| <i>Note</i> | | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | Profit/(loss) for the period | 872 | (9,501) |
| | Other comprehensive income | | |
| | Item that may be reclassified subsequently to profit or loss: | | |
| | Exchange differences on translating foreign operations | <u>270</u> | <u>84</u> |
| | Total comprehensive income/(loss) for the period | <u>1,142</u> | <u>(9,417)</u> |
| | Total comprehensive income/(loss) for the period attributable to: | | |
| | – Owners of the Company | 1,142 | (8,413) |
| | – Non-controlling interests | <u>–</u> | <u>(1,004)</u> |
| | | <u>1,142</u> | <u>(9,417)</u> |
| | | <i>HK cents</i> | <i>HK cents</i> |
| | Basic and diluted earning/(loss) per share | <u>0.11</u> | <u>(1.02)</u> |
| | | 6 | |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Unaudited | | | | | | | | |
|--|----------------------------------|-----------------------------------|---|--------------------------------------|--|---------------------------------------|---|--|---------------------------------|
| | Share capital <i>HK\$'000</i> | Merger reserve <i>HK\$'000</i> | Equity-settled share-based payment reserve <i>HK\$'000</i> | Statutory reserve <i>HK\$'000</i> | Translation reserve <i>HK\$'000</i> | Accumulated Losses <i>HK\$'000</i> | Equity attributable to owners of the Company <i>HK\$'000</i> | Non-controlling interests <i>HK\$'000</i> | Total equity <i>HK\$'000</i> |
| 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 income: | | | | | | | | | |
| 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> |
| As at 1 January 2023 | 188,348 | (1,357) | 89 | 2,232 | (205) | (165,831) | 23,276 | - | 23,276 |
| Profit for the period | - | - | - | - | - | 872 | 872 | - | 872 |
| Other comprehensive income: | | | | | | | | | |
| Exchange differences on translating foreign operations | - | - | - | - | 270 | - | 270 | - | 270 |
| Total comprehensive income for the period | - | - | - | - | 270 | 872 | 1,142 | - | 1,142 |
| Transfer of statutory reserve | - | - | - | 36 | - | (36) | - | - | - |
| As at 31 March 2023 | <u>188,348</u> | <u>(1,357)</u> | <u>89</u> | <u>2,268</u> | <u>65</u> | <u>(164,995)</u> | <u>24,418</u> | <u>-</u> | <u>24,418</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 trading of metal and metal supply chain business in Hong Kong and the mainland of the People’s Republic of China (the “**PRC Mainland**”), provision of education management services in 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 2023 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 on 28 April 2023.

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 2022 (the “**2022 annual financial statements**”).

These unaudited condensed consolidated financial statements have been prepared with the same accounting policies adopted in the 2022 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 2023. 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 | |
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| Interest on borrowings | 152 | – |
| Interest on lease liabilities | 67 | 29 |
| | <u>219</u> | <u>29</u> |

4. INCOME TAX EXPENSE

The amount of the income tax expense represents the following:

| | Unaudited | |
|-------------|-----------------------------|----------|
| | Three months ended 31 March | |
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| Current tax | <u>1,692</u> | <u>–</u> |

Hong Kong profits tax is calculated at 16.5% (2022: 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 Law**”) and Interpretation Regulation of the EIT Laws, the tax rate of the PRC Mainland subsidiaries is 25% for the three months ended 31 March 2023 (2022: 25%).

5. DIVIDENDS

The Board does not recommend the payment of any dividend of the Company for the three months ended 31 March 2023 (2022: nil).

6. EARNING/(LOSS) PER SHARE

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

| | Unaudited | |
|--|------------------------------------|-----------------|
| | Three months ended 31 March | |
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| Profit/(loss) | | |
| Profit/(loss) attributable to owners of the Company | 872 | (8,461) |
| Number of shares | | |
| Weighted average number of ordinary shares for the purpose of calculating basic earning/(loss) per share <i>(in thousand)</i> | 829,404 | 829,404 |

For the three months ended 31 March 2023, the computation of diluted earning per share does not assume the exercise of the Company's outstanding share options since their exercise price is higher than the average market price of the Company's share for the period. Accordingly, the basic and diluted earning per share are the same.

Diluted loss per share for loss attributable to owners of the Company for the three months ended 31 March 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 2023 (“**Q1 2023**” or “**Current Period**”), the Group’s principal activities were broadly divided into the trading of metal and metal supply chain business in Hong Kong and the PRC Mainland, provision of education management services in the PRC Mainland and provision of money lending services in Hong Kong.

Trading of metal

During the Current Period, the impact of the pandemic on global economic growth and supply chains was gradually receding as major countries/regions around the world began to weaken their pandemic prevention and control and open their borders. However, continuing high inflation and some recent crises in the U.S. and European banking sectors continue to cast uncertainties for the global economic recovery. In the PRC Mainland, the domestic pandemic has eased since 2023, the impact of the pandemic on the economy is gradually receding, and economic fundamentals are steadily recovering, especially in manufacturing activities which are showing an accelerated recovery.

During the Current Period, the Group successfully acquired a new important client, namely Sichuan Cloud Port International (Hong Kong) Limited (“**SCPI**”), which is mainly engaged in the offshore trading markets of metals, minerals and crude oil. This new client is a wholly-owned subsidiary of Sichuan Port and Shipping Investment Group Co., Ltd. (“**SPSI Group**”), which is a state-owned enterprise in Sichuan Province. SPSI Group is responsible for serving the construction of the economic highland of Sichuan Province opening up to the outside world, and its main business includes the provision of modern logistics infrastructure services such as water and land ports and logistics parks. SPSI Group is also a large integrated trading group in western of the PRC Mainland with strong assets, a complete logistics industry chain and supply chain service capabilities. The Group and SCPI have completed their first order in Q1 2023 and contributed revenue of approximately HK\$104 million to the Group. In view of the background and business of SCPI and SPSI Group, the Group’s inclusion in the list of suppliers of SCPI is sufficient to demonstrate the Group’s relevant business capability. The Group is currently discussing with SCPI on further cooperation proposals for 2023 in order to continuously strengthen the bilateral business cooperation.

The Group has now successfully positioned itself as a diversified and sustainable supply chain integrator for the metals industry. As a supply chain integrator with diversified and extensive supplier channels in the PRC Mainland and the Asia Pacific region, the Group connects metal manufacturers with downstream metal product wholesalers and retailers, assisting clients in selecting suppliers with the best terms (including but not limited to product specifications, pricing, payment, delivery terms, etc.) and providing clients with one-stop integrated services covering procurement, insurance, logistics, customs clearance, market intelligence, etc., enabling clients to streamline their own procurement process and effectively reduce overall procurement costs.

The Group has provided supply chain services to several large scale clients of the PRC Mainland in the metal business, each of which is connected to a large number of end-users, and therefore the Group has access to a large network of end-users through these clients. The strategic partnership with these clients has put the Group on a sustainable path of growth. Chengdu Zhonghuan Fulin Trading Co., Ltd.* (成都中環福霖商貿有限公司) (“**Zhonghuan Fulin**”) is one of the key clients of the Group’s metal business. Zhonghuan Fulin is one of the largest hardware and electromechanical standard parts supply chain enterprises in Sichuan Province, and is an information collection unit of national hardware and electromechanical with over 1,000 end clients. The client base of Zhonghuan Fulin mainly includes large state-owned transportation infrastructure central enterprises, state-owned enterprises and manufacturing enterprises, such as Sichuan Deyang Erzhong Equipment Company Limited* (四川德陽二重裝備有限公司), Deyang Dongdian Group* (德陽東電集團), China Railway Chengdu Bureau Group Co., Ltd.* (中鐵成都局集團有限公司), Chengdu Tianma Railway Bearing Co., Ltd.* (成都天馬鐵路軸承有限公司), FAW-Volkswagen Chengdu Factory* (一汽大眾成都工廠), Hunan Hongtai Power Construction Co., Ltd.* (湖南宏泰電力建設有限公司), etc.

The metal business is expected to continue to recover after the pandemic in the PRC Mainland has subsided and logistics and production activities have resumed. Looking ahead, the Group plans to consolidate its business relationships with existing clients and further expand the range of products covered by its supply chain services. The Group will also continue to solicit new clients for its metal business and explore other business opportunities in the metals supply chain industry in the PRC Mainland and internationally.

For Q1 2023, the overall revenue of the Group’s metal trading business showed good recovery and rapid growth. Sales revenue of this business segment amounted to approximately HK\$111.1 million (for the three months ended 31 March 2022: approximately HK\$4.3 million). The substantial growth in revenue of the metal business demonstrates the Group’s efforts to further develop its metal business and the sustainability of its business model.

* English name for identification purpose only

Education management services

As of Q1 2023, our wholly-owned subsidiary, Sichuan Loco Yahui Education Management Limited* (四川港銀雅滙教育管理有限公司) (“**Loco Yahui**”), was principally engaged in the provision of education management services to different schools and education institutions in the PRC Mainland.

The education management services business mainly involves providing education management services (including but not limited to: recommendation, identification and recruitment of experienced teacher/instructors, online education transformation, design of curriculum structure and content, development of syllabus, marketing and promotion activities, and recommendation of teaching materials and textbooks for clients, etc.) to diversified educational institutions in Chengdu, the PRC Mainland (covering four types of clients, including four arts and physical education and training institutions, two kindergartens, one well-rounded and nature experience education institution and one educational textbooks and books distributor), thereby enhancing the quality and operations of our clients. Chengdu is one of the major economic centers in western of the PRC Mainland, with a growing population and an upward trend in resident income. In recent years, the Chengdu city government has been strengthening its talent pool and implementing incentive policies to attract talent to settle down in Chengdu with a view to enhancing the competitiveness of Chengdu compared to other first-tier cities in the PRC Mainland. Chengdu’s large population and good development prospects have laid a solid foundation for education demand in the market, which is conducive to the sustainable development of the education management services business. On the other hand, the policy adjustment of the government of the PRC Mainland on education has now gradually become largely stable. The development direction of the Group’s education management services business is to provide education management services to well-rounded and nature experience education and arts and physical education and training institutions, which is in line with the current education policy in the PRC Mainland.

During the Current Period, the Group continued to focus on helping its clients to enhance their comprehensive soft power (client operation support, operational management improvement and helping them to achieve Internet transformation, etc.) as well as assisting them to expand various opportunities to directly connect with students and parents, in order to expand student enrollment and utilization rates. As of 31 March 2023, the utilization rate of 4 arts and physical education and training institutions clients has increased from approximately 35% in Q4 2022 to approximately 40% in Q1 2023; and the utilization rate of 1 well-rounded and nature experience education institution client has increased from approximately 20% in Q4 2022 to approximately 45% in Q1 2023. This was also in line with the gradual receding of the pandemic in PRC Mainland and the resumption of normal educational teaching and extracurricular programs for students.

In conclusion, the business development direction encouraged by policies, rich education management resources, diversified client portfolio and good cooperation with clients enable the Group to have unique and sustainable competitive advantage, which helps to continuously attract more potential customers. We will continue to pay close attention to the policy trends and regulatory environment, and further optimize and adjust our business model and related arrangements in response to the government's new policies on the rectification and reform of education.

This business segment contributed revenue of approximately HK\$8.2 million (for the three months ended 31 March 2022: approximately HK\$0.4 million) to the Group during the Current Period.

Provision of money lending services

As of Q1 2023, we believe that credit risk in our money lending services remains high as the global economic and social development is still facing an uncertain situation. 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 continued to adopt further enhanced risk control measures and prudent evaluation and lending policies in selecting qualified credit applicants for potential business opportunities. However, the Group will conduct related business accordingly when the time comes. Therefore, no revenue was recorded in this business segment during the Current Period (for the three months ended 31 March 2022: Nil).

OUTLOOK

The current complex and severe situations such as the escalation of the Russia-Ukraine conflict and high inflation brought more uncertainties to the world economy. In the PRC Mainland, some important positive changes in the domestic economic environment are emerging such as the easing of national pandemic prevention and control policies, the focus on economic development, and the resumption of normal travel between Hong Kong and the PRC Mainland.

We expect that the metal business will benefit from the gradual recovery of domestic economic production, and the demand for commodity orders in the domestic metal market is expected to further increase. For the education management services business, as the pandemic subsides in the PRC Mainland, education teaching and students' extracurricular courses will also return to normal, which will help the Group's education management services business to continue to recover and develop steadily. At the same time, we will continue to pay close attention to policy trends and regulatory environment, and further optimise and adjust in response to changes in national education policies in a timely manner. We will keep abreast of the changes and opportunities in the international and domestic environment, continue to adhere to the strategy of actively restoring and continuously expanding its core businesses, and further develop our metal business and education management services business. 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 2023, the Group had a total revenue of approximately HK\$119.31 million (for the three months ended 31 March 2022: approximately HK\$4.71 million), representing an increase of approximately 2,431% as compared with the three months ended 31 March 2022. For the three months ended 31 March 2023, the Group recorded a profit of approximately HK\$0.9 million (for the three months ended 31 March 2022: loss of approximately HK\$9.5 million), representing a turn from loss to profit as compared with the three months ended 31 March 2022. The turn from loss to profit was mainly attributable to net effect of:

- (i) an increase in the Group's total revenue of approximately HK\$114.6 million as discussed above;
- (ii) the carrying value of inventories sold was recognised approximately HK\$110.9 million (for the three months ended 31 March 2022: approximately HK\$4.3 million);
- (iii) a decrease in employee costs of approximately HK\$1 million; and
- (iv) a decrease in other operating expenses of approximately HK\$2.6 million.

For the three months ended 31 March 2023, the Group's profit attributable to owners of the Company was approximately HK\$0.9 million, as compared to the loss attributable to owners of the Company of approximately HK\$8.5 million for the three months ended 31 March 2022.

GEARING RATIO

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

As at 31 March 2023, the gearing ratio was 28.7% (31 December 2022: 38.4%).

CHARGE ON THE GROUP'S ASSETS

As at 31 March 2023, no Group's asset was pledged as security (31 December 2022: Nil).

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 March 2023, 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 2023, the Group did not have any significant investments, acquisitions and disposals.

CAPITAL COMMITMENT

As at 31 March 2023, the Group did not have any significant capital commitment (31 December 2022: 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 2023, 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 (31 December 2022: Nil) and there has not been any material change in the contingent liabilities of the Group since 31 March 2023.

OTHER INFORMATION

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

As at 31 March 2023, none of the Directors or chief executives of the Company had any interests and short positions 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”)), or were 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.

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

As at 31 March 2023, 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:

Long position

| Name | Nature of interests | Number of ordinary shares held | Approximate percentage of shareholding (Note 1) |
|---|------------------------------------|--------------------------------|--|
| Hon Pok | Beneficial owner | 76,000,000 | 9.16% |
| Zhang Bo | Beneficial owner | 45,000,000 | 5.43% |
| Poon Kwan Ho | Beneficial owner | 46,000,000 | 5.55% |
| FIAS (HONG KONG) CO., LIMITED (Note 2) | Beneficial owner | 192,390,000 | 23.20% |
| Zhang Siyuan (Note 2) | Interest of controlled corporation | 192,390,000 | 23.20% |

Notes:

1. 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 2023.
2. FIAS (HONG KONG) CO., LIMITED is wholly owned by Zhang Siyuan.

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 2023.

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 HK\$ | Exercise period | Number of share options and underlying shares | | | | | |
|----------------------|------------|----------------------------------|----------------------|---|----------|-----------|-----------|----------|-----------------------------|
| | | | | Outstanding as at 1.1.2023 | Granted | Exercised | Cancelled | Lapsed | Outstanding as at 31.3.2023 |
| Employees | 10.4.2015 | 0.78 | 10.4.2015 – 9.4.2025 | 160,000 | - | - | - | - | 160,000 |
| Others | 10.4.2015 | 0.78 | 10.4.2015 – 9.4.2025 | 120,000 | - | - | - | - | 120,000 |
| | | | | <u>280,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>280,000</u> |

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.

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 recognise employee costs for the three months ended 31 March 2023 and 2022 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 2023, 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 2023.

CORPORATE GOVERNANCE

Code on Corporate Governance Practices

During the three months ended 31 March 2023, to the best knowledge of the Board, the Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules (the "**Code Provisions**"), save for the deviation from Code Provision C.2.1 as explained below.

Code Provision C.2.1 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 2023.

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 Code Provision D.3.3. 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 report, including the unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2023, 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, 28 April 2023

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.