

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take 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)

**THIRD QUARTERLY RESULTS ANNOUNCEMENT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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 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 day of its publication and will be available 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 and nine months ended 30 September 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

For the three months and nine months ended 30 September 2023

| | <i>Notes</i> | Unaudited | | | |
|--|--------------|--------------------------|-----------------|---------------------------|-----------------|
| | | Nine months ended | | Three months ended | |
| | | 30 September | | 30 September | |
| | | 2023 | 2022 | 2023 | 2022 |
| | | HK\$'000 | <i>HK\$'000</i> | HK\$'000 | <i>HK\$'000</i> |
| Revenue | | | | | |
| – Sales of metal | | 3,755,239 | 16,225 | 3,629,539 | 5,914 |
| – Education management services | | 23,826 | 5,283 | 9,262 | 3,459 |
| | | 3,779,065 | 21,508 | 3,638,801 | 9,373 |
| Trading gains on commodity forward contracts | | – | 59 | – | 19 |
| Other income | | 30 | 523 | 9 | 143 |
| Total income | | 3,779,095 | 22,090 | 3,638,810 | 9,535 |
| Carrying value of inventories sold | | (3,753,675) | (16,173) | (3,628,543) | (5,851) |
| Change in fair value of commodity inventory | | (10) | (26) | (4) | (9) |
| Depreciation of property, plant and equipment | | (446) | (917) | (105) | (301) |
| Depreciation of right-of-use assets | | (1,976) | (1,728) | (656) | (466) |
| Employee costs | | (7,778) | (10,352) | (2,650) | (3,327) |
| Fair value changes on other financial asset | | – | 50 | – | – |
| Other operating expenses | | (7,177) | (10,933) | (2,489) | (3,018) |
| Provision of loss allowance on trade and other receivables | | (429) | (162) | (225) | (130) |
| Rental expenses | | (1,027) | (1,061) | (335) | (336) |
| Share of loss of an associate | | (1,549) | (3,388) | (1,519) | (1,522) |
| Finance costs | 3 | (702) | (76) | (309) | (21) |
| Profit/(loss) before income tax expense | | 4,326 | (22,676) | 1,975 | (5,446) |
| Income tax expense | 4 | (4,870) | – | (1,944) | – |
| (Loss)/profit for the period | | (544) | (22,676) | 31 | (5,446) |

| | | Unaudited | | | |
|---|-----------------------------|--------------------------|------------------------|---------------------------|------------------------|
| | | Nine months ended | | Three months ended | |
| | | 30 September | | 30 September | |
| | | 2023 | 2022 | 2023 | 2022 |
| <i>Notes</i> | | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| (Loss)/profit for the period | | | | | |
| attributable to: | | | | | |
| | – Owners of the Company | (544) | (21,636) | 31 | (5,446) |
| | – Non-controlling interests | – | (1,040) | – | – |
| | | <u>(544)</u> | <u>(22,676)</u> | <u>31</u> | <u>(5,446)</u> |
| (Loss)/profit for the period | | | | | |
| | | (544) | (22,676) | 31 | (5,446) |
| Other comprehensive loss | | | | | |
| Item that may be reclassified | | | | | |
| subsequently to profit or loss: | | | | | |
| Exchange differences on translating | | | | | |
| | foreign operations | (1,395) | (1,255) | (198) | (767) |
| Total comprehensive loss | | | | | |
| for the period | | | | | |
| | | <u>(1,939)</u> | <u>(23,931)</u> | <u>(167)</u> | <u>(6,213)</u> |
| Total comprehensive loss | | | | | |
| for the period attributable to: | | | | | |
| | – Owners of the Company | (1,939) | (22,927) | (167) | (6,213) |
| | – Non-controlling interests | – | (1,004) | – | – |
| | | <u>(1,939)</u> | <u>(23,931)</u> | <u>(167)</u> | <u>(6,213)</u> |
| | | <i>HK cents</i> | <i>HK cents</i> | <i>HK cents</i> | <i>HK cents</i> |
| Basic and diluted (loss)/earning | | | | | |
| per share | | | | | |
| | 6 | <u>(0.07)</u> | <u>(2.61)</u> | <u>0.01</u> | <u>(0.66)</u> |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2023

| | Unaudited | | | | | | | | |
|--|---------------------------|----------------------------|--|-------------------------------|---------------------------------|--------------------------------|--|---------------------------------------|--------------------------|
| | Share capital HK\$'000 | Merger reserve HK\$'000 | Equity-settled share-based payment reserve HK\$'000 | Statutory reserve HK\$'000 | Translation reserve HK\$'000 | Accumulated losses HK\$'000 | Equity attributable to owners of the Company HK\$'000 | Non-controlling interests HK\$'000 | Total equity HK\$'000 |
| As at 1 January 2022 | 188,348 | (1,357) | 7,846 | 1,647 | 874 | (150,642) | 46,716 | 1,004 | 47,720 |
| Loss for the period | - | - | - | - | - | (21,636) | (21,636) | (1,040) | (22,676) |
| Other comprehensive (loss)/income: | | | | | | | | | |
| Exchange differences on translating foreign operations | - | - | - | - | (1,291) | - | (1,291) | 36 | (1,255) |
| Total comprehensive loss for the period | - | - | - | - | (1,291) | (21,636) | (22,927) | (1,004) | (23,931) |
| As at 30 September 2022 | <u>188,348</u> | <u>(1,357)</u> | <u>7,846</u> | <u>1,647</u> | <u>(417)</u> | <u>(172,278)</u> | <u>23,789</u> | <u>-</u> | <u>23,789</u> |
| As at 1 January 2023 | 188,348 | (1,357) | 89 | 2,232 | (205) | (165,831) | 23,276 | - | 23,276 |
| Loss for the period | - | - | - | - | - | (544) | (544) | - | (544) |
| Other comprehensive loss: | | | | | | | | | |
| Exchange differences on translating foreign operations | - | - | - | - | (1,395) | - | (1,395) | - | (1,395) |
| Total comprehensive loss for the period | - | - | - | - | (1,395) | (544) | (1,939) | - | (1,939) |
| Transfer of statutory reserve | - | - | - | 36 | - | (36) | - | - | - |
| Capital injection by non-controlling interest | - | - | - | - | - | - | - | 38 | 38 |
| As at 30 September 2023 | <u>188,348</u> | <u>(1,357)</u> | <u>89</u> | <u>2,268</u> | <u>(1,600)</u> | <u>(166,411)</u> | <u>21,337</u> | <u>38</u> | <u>21,375</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in Hong Kong. Its shares are listed on GEM of 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 metal and metal supply chain business in Hong Kong, international 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 and nine months ended 30 September 2023 are presented in thousands of units of Hong Kong dollars (“**HK\$’000**”), unless otherwise stated. These unaudited condensed consolidated financial statements were authorised for issue by the Board on 13 November 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 standards or interpretations 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 standard, interpretation or amendment 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 | | | |
|--|-------------------|-----------------|--------------------|-----------------|
| | Nine months ended | | Three months ended | |
| | 30 September | | 30 September | |
| | 2023 | 2022 | 2023 | 2022 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Interest expenses on borrowings | 496 | – | 244 | – |
| Interest expenses on lease liabilities | 206 | 76 | 65 | 21 |
| | <u>702</u> | <u>76</u> | <u>309</u> | <u>21</u> |

4. INCOME TAX EXPENSE

The amount of the income tax expense represents the following:

| | Unaudited | | | |
|-------------|-------------------|-----------------|--------------------|-----------------|
| | Nine months ended | | Three months ended | |
| | 30 September | | 30 September | |
| | 2023 | 2022 | 2023 | 2022 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Current tax | <u>4,870</u> | <u>–</u> | <u>1,944</u> | <u>–</u> |

Hong Kong Profits Tax is calculated at 16.5% (for the three months and nine months ended 30 September 2022: 16.5%) on the estimated assessable profits for the three months and nine months ended 30 September 2023. No provision for Hong Kong Profits Tax has been made in the unaudited condensed consolidated financial statements as the Group incurred tax losses for the three months and nine months ended 30 September 2023.

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 and nine months ended 30 September 2023 (for the three months and nine months ended 30 September 2022: 25%).

5. DIVIDEND

The Board does not recommend the payment of any dividend of the Company for the nine months ended 30 September 2023 (for the nine months ended 30 September 2022: Nil).

6. (LOSS)/EARNING PER SHARE

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

| | Unaudited | | | |
|---|--------------------|--------------------|--------------------|--------------------|
| | Nine months ended | | Three months ended | |
| | 30 September | | 30 September | |
| | 2023 | 2022 | 2023 | 2022 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| (Loss)/profit | | | | |
| (Loss)/profit attributable to owners of the Company | <u>(544)</u> | <u>(21,636)</u> | <u>31</u> | <u>(5,446)</u> |
| Number of shares | | | | |
| Weighted average number of ordinary shares for the | | | | |
| purpose of calculating basic (loss)/earning per share | <u>829,404,000</u> | <u>829,404,000</u> | <u>829,404,000</u> | <u>829,404,000</u> |

For the three months ended 30 September 2023, the computation of diluted earning per share for profit attributable to owners of the Company 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 nine months ended 30 September 2023 and for the three months and nine months ended 30 September 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 nine months ended 30 September 2023 (“**Q3 2023**” or “**Current Period**”), the Group’s principal activities were broadly divided into the trading of metal and metal supply chain business (“**Metal Business**”) in Hong Kong, international and the PRC Mainland, provision of education management services in the PRC Mainland and provision of money lending services in Hong Kong.

For Q3 2023, the Group as a whole achieved revenue of approximately HK\$3.779 billion and profit before tax of approximately HK\$4.33 million, as compared to a loss before tax of approximately HK\$22.68 million for the nine months ended 30 September 2022. Excluding non-operating related expenses (i.e. share of loss of an associate of the Group), the Group recorded a net profit attributable to owners of the Group of approximately HK\$1 million for Q3 2023. For the three months ended 30 September 2023, the Group successfully recorded a net profit attributable to owners of the Group, while the net profit attributable to owners of the Group excluding non-operating related expenses (i.e. share of loss of an associate of the Group) amounted to approximately HK\$1.55 million.

I. Metal Business

During the Current Period, the overall revenue of the Group’s Metal Business showed good recovery and significant growth. As of Q3 2023, the Group’s Metal Business recorded revenue of approximately HK\$3.755 billion, representing a significant increase of approximately 23,079% (an increase of approximately 230.79 times) as compared with the recorded revenue of approximately HK\$16.2 million from the Metal Business for the corresponding period of the previous year. The main reasons for the aforesaid revenue growth are, on the one hand, the continuation of the recovery trend of the Group’s Metal Business in 2023 amidst the gradual normalization and resumption of global trade, and on the other hand, it was driven by the Group’s long-term layout accumulation and proactive efforts to accelerate the sustainable development of its Metal Business, including the Group’s success in broadening the product varieties of its Metal Business and proactively expanding to international trade, as well as its success in building up business relationships with a number of large-scale key comprehensive enterprises in the PRC Mainland and international corporations. These efforts have resulted in substantial improvements during Q3 2023.

During the Current Period, the Group further expanded its international and domestic supplier and customer resources to continuously strengthen its industry competitiveness in terms of resource acquisition, channel construction and customer service. Through market research and analysis on downstream demand, the Group has optimized the matching of resources in terms of time, space and specific varieties of relevant metal products in the market to meet customers' multi-level needs for metal products. At the same time, the Group adheres to the integrated construction of compliance and internal control, and strengthens risk management and control, so as to ensure safe and compliant business development.

I. Main products

The scope of the Group's Metal Business is bulk trading of metal commodities, and the main products include London Metal Exchange delivery products, standard metals such as copper, aluminum, nickel and metal parts, and bulk commodities such as copper concentrates, iron ore and ferronickel.

II. Main customers

| Name of customer | The group/de facto controller that the customer belongs to | Nature of the group/de facto controller that the customer belongs to |
|-----------------------------|---|---|
| Vanding Innova SG Pte. Ltd. | A wholly-owned subsidiary of Wanxiang Group, a large-scale key comprehensive enterprise in the PRC Mainland, which is one of China's top 500 companies. Wanxiang Group has four companies listed on the Shanghai and Shenzhen Stock Exchanges respectively in the PRC Mainland (stock codes: 000559, 600371, 000631 and 000848 respectively). | Large-scale key comprehensive enterprise in the PRC Mainland |
| Xinglong SGP Pte. Ltd. | An international commodities trading company in Singapore, whose main products are standard metals such as copper, aluminum and nickel, as well as copper concentrate, iron ore, ferronickel and energy products. | International trading enterprise |

| Name of customer | The group/de facto controller that the customer belongs to | Nature of the group/de facto controller that the customer belongs to |
|--|---|--|
| Yancoal International (Singapore) Pte. Ltd. (“ Yancoal International ”) | <p>A wholly-owned subsidiary of Shandong Energy Group Co., Ltd. (“Shandong Energy”), a state-owned enterprise of Shandong Province. Yancoal International is the overseas trading platform company of Shandong Energy's energy trading sector.</p> <p>Shandong Energy is also the controlling shareholder of Yankuang Energy Group Company Limited (stock code: 1171), a company listed on the Hong Kong Stock Exchange.</p> | Large-scale comprehensive state-owned enterprise in the PRC Mainland |
| Sichuan Cloud Port International (Hong Kong) Limited (“ SCPI ”) | A wholly-owned subsidiary of Sichuan Port and Shipping Investment Group Co., Ltd. (“ SPSI Group ”), a state-owned enterprise of Sichuan Province. SPSI Group is a large-scale comprehensive trading group in western PRC mainland, and SCPI is the Hong Kong window company of SPSI Group. | Large-scale comprehensive state-owned enterprise in the PRC Mainland |
| Yunnan Tonghai Linhai Standard Parts Co., Ltd. | A supplier of hardware standard parts in Yunnan Province. The company has been operating for around 20 years. Its main downstream customers are transportation infrastructure state-owned enterprises and manufacturing enterprises in Yunnan Province. | Key medium-sized private-owned enterprise in the PRC Mainland |
| Chengdu Zhonghuan Fulin Trading Co., Ltd. (“ Zhonghuan Fulin ”) | Zhonghuan Fulin is one of the largest hardware, electromechanical standard parts supply chain enterprises in Sichuan Province, and is a national hardware and electromechanical information collection unit in the PRC Mainland. Zhonghuan Fulin has been operating for more than 20 years and has more than 1,000 downstream end customers. | Key private-owned enterprise in its industry in the PRC Mainland |

| Name of customer | The group/de facto controller that the customer belongs to | Nature of the group/de facto controller that the customer belongs to |
|--|---|--|
| Sichuan Jianyang Sanhe Standard Parts Co., Ltd. | A hardware standard parts supplier in Jianyang City, Sichuan Province. The company has been operating for more than 20 years. Its main downstream customers are transportation infrastructure enterprises and manufacturing enterprises in Sichuan Province. | Medium-sized private-owned enterprise in the PRC Mainland |
| The Group's new customer in October 2023 | | |
| Zall International Trading (Singapore) Pte. Ltd. | A wholly-owned subsidiary of Zall Smart Commerce Group Ltd. (" Zall Smart Commerce "), which is one of China's top 500 companies and a large-scale comprehensive digital supply chain platform company. Zall Smart Commerce is also a company listed on the Hong Kong Stock Exchange (stock code: 2098). | Company listed on the Hong Kong Stock Exchange |

III. Market prospects, development plans and strategies

As of Q3 2023, the PRC Mainland's domestic economy continued to recover. The main customers (end customers) of the Group's Metal Business include large-scale comprehensive state-owned enterprises and large-scale key comprehensive enterprises in the PRC Mainland. The trading of metals and mineral products is closely related to domestic production, construction and economic development. The Group expects that the Metal Business will continue to benefit from the recovery of the domestic economy in the PRC Mainland and the business scale would also further increase.

Nonetheless, in the current environment of slower-than-expected, uneven and unstable global economic recovery, high inflation and continued tightening of monetary policy, the metal trading business, which originally had relatively low industrial profit margins, saw further declines in profit margins during the Current Period, and so did the Group. In order to increase profits while controlling risks, the Group's Metal Business is mainly engaged in metal commodities with relatively transparent prices and relatively controllable risks in the international and domestic markets. At the same time, the Group's customers are mainly large-scale comprehensive enterprises (including large-scale state-owned enterprises), such customers have good reputation and continuous and stable procurement needs. The Group will continue to expand cooperation with large-scale comprehensive enterprises, and will also review market trends and customer needs, enlarge its own resources and expand new metal products, etc., to ensure the sustainable, efficient and stable development of the Metal Business with controllable risks.

II. Education Management Services Business

As of Q3 2023, the 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**”) of the Group, was principally engaged in the provision of education management services to different schools and educational institutions in the PRC Mainland.

During the Current Period, the overall revenue of the Group's education management services business showed good recovery and substantial growth. As of Q3 2023, the Group's education management services business recorded revenue of approximately HK\$23.8 million, representing a significant increase of approximately 349% (an increase of approximately 3.49 times) as compared with the revenue of approximately HK\$5.3 million recorded by the education management services business in the corresponding period of the previous year. With the stable and sustainable development of the Group's education management services business, the Group was able to capture the increase in demand as the PRC Mainland's domestic education and teaching as well as student extracurricular courses and activities gradually returned to normal during the period, resulting in significant revenue growth.

I. Main service models and results

The Group's education management services business is mainly committed to providing comprehensive education management and consulting services to various educational institutions in Chengdu, Sichuan Province, the PRC Mainland, focusing on arts, physical education and humanities well-rounded education management service, etc., which mainly include:

For the sustainable and stable development of source of students for customers

- (1) Assist the Group's kindergarten customers to extend the age range of preschool education students. Through the Group's recommendation of preschool teachers and curriculum design, community/neighborhood population data and the Group's related resources, the Group has successfully assisted customers to add 0-3 years old childcare services from the original 3-6 years old admission service age, forming a full coverage of the 0-6 years old preschool age group, and forming a stable and sustainable source of students for customers.
- (2) The Group's education management services business unit continues to track the follow-up interest development of children aged 6-12 after graduation from early childhood education customers, and recommends them to the Group's arts, sports and humanistic well-rounded education and training institution customers, so as to form a stable and sustainable source of students for customers as well.
- (3) At the same time, the Group's education management services business unit actively cooperates with the recommendation of outstanding teachers from art, physical education and humanistic well-rounded education and training institution customers to serve as part-time teachers of after-school service courses in various compulsory education schools through its own various channels (the Ministry of Education of the People's Republic of China has widely required all compulsory education schools to carry out after-school arts, sports and well-rounded education activities, and allows the employment of part-time teachers from external training institutions). Upon cultivating the students' strong interest in learning, the part-time teachers sent to the school by educational institutions can bring back many school students to participate in further professional courses of art, physical education and well-rounded education of training institutions, thus forming a positive interaction, a stable and steady source of students for customers.
- (4) Directly introduce students and expand source of student channels for customers: The Group directly introduces the Group's own customer student groups (including kindergarten and education and training institution customers) for humanistic well-rounded education customers, and also actively introduces new external customer groups (including external kindergarten and primary school students), as well as introduces team building and summer camp activities of various groups, and cooperates in the construction of new well-rounded education projects, so as to effectively broaden market channels and increase student sources for customers.

Help customers to maintain a stable teaching staff

- (5) Help recommend, identify and recruit qualified and experienced teachers and lecturers: Through the database established by the Group, the Group helps customers to identify, recommend and recruit qualified and experienced teachers or lecturers, so as to provide high-quality educational courses for customers' students on the one hand, and ensure the stability and adequacy of customers' teaching staff on the other hand. This effectively helps customers maintain their core appeal to current and potential students.
- (6) Help to improve the qualifications of customers' teachers: The Group organizes various trainings and lectures for customers and invites well-known instructors for communication. The Group also establishes a database of teachers sources for customers, and maintains customers and their teaching staff's licenses and qualifications.
- (7) Assist in the development and design of lesson plans and tutorials: The Group assists customers in analysing and designing the structure and content of their courses, broadens the types and contents of courses for customers, and also provides customers with educational teaching materials and books recommendations that meet the curriculum and teaching objectives.
- (8) Assist in the maintenance of customers' operating licenses and teaching staff's licenses: The Group assists customers in completing the annual review and qualification review of their operating licenses and teaching staff's licenses by the relevant regulatory authorities in the PRC Mainland, ensuring the existence and compliance of the relevant licenses of the customers, so that the customers can focus on the education business itself.

Provide admissions and marketing services to customers

- (9) Market research: The Group will help customers to conduct market research, including the latest government support policies, development trends of popular lesson plans, community/neighborhood population age distribution and big data on potential customer groups, etc., in order to help customers increase their enrollment sources and increase the number of students.
- (10) Assist customers with student enrollment: The Group assists customers with enrollment strategies and publicity, and assists customers in attracting and recruiting students. These include holding campus open days, educational exhibitions, among others, for the customers.

- (11) Cooperate with marketing and promotional activities: The Group cooperates with its customers to develop marketing and promotional activities to increase customers' visibility and reputation, and build brand image. These include holding open days and exhibitions for customers, recommending customers to participate in different educational exchange meetings, etc., so as to increase exposure, raise existing enrollment rates and cultivate potential students.

The above services have been effective in enhancing the overall revenue and sustainability of the Group's education management services business.

In addition, the Group also provides management services and introduces new customers to educational textbooks and books distributor customer: In addition to providing educational management and consulting services, the Group also directly introduces a number of new college (group) customers to educational textbooks and books distributor customer, provide consulting services on educational institutions' needs, hobbies and trends of educational textbooks and books, and help educational textbooks and books distributor customer establish incoming and outgoing inventory management systems to speed up delivery times, reduce inventory levels and improve capital liquidity, reduce direct operating costs, etc.

II. Main customers

The education management services business mainly involves provision of relevant educational management services to diversified educational institutions in Chengdu, the PRC Mainland (covering four types of customers, including 4 arts and physical education and training institutions, 2 kindergartens, 1 humanistic well-rounded natural experience education provider and 1 educational textbook and book distributor, etc.).

During the Current Period, the Group continued to focus on helping its customers to comprehensively enhance their comprehensive soft power through the provision of the above-mentioned education management services, in order to expand student enrollment and utilization rates. As of 30 September 2023, the utilization rate of arts and physical education and training institutions customers have increased from approximately 9% for the nine months ended 30 September 2022 to approximately 42% for Q3 2023; and the utilization rate of humanistic well-rounded and nature experience education institution customer has increased from approximately 29% for the nine months ended 30 September 2022 to approximately 49% for Q3 2023.

III. Market prospects

(1) Policy support in the PRC Mainland

According to the “National Compulsory Education Quality Evaluation Guide” jointly issued by the Ministry of Education of the People’s Republic of China and five other government departments in the PRC Mainland in March 2021, government departments should speed up the establishment of an education quality evaluation system in the face of all-round education development. This includes the comprehensive development of moral, intellectual, physical, aesthetic and labor education. The National Education Conference once again emphasized the above education policy.

On 21 April 2022, the Ministry of Education of the People’s Republic of China held a press conference on the reformed “Compulsory Education Curriculum Plan and Curriculum Standards (2022 Edition)” to be implemented in the autumn semester of 2022. The reformed “Compulsory Education Curriculum Plan” proposes the following: (i) changing arts from extracurricular activities to a compulsory course for grades 1-9; (ii) incorporating arts into students’ academic assessment; (iii) arts classes will include areas such as music, arts and crafts, dance, drama and opera, as well as creative media, and (iv) arts classes will occupy approximately certain share of the total class time (along with physical education, with a similar number of class hours as compared to Chinese or mathematics classes).

According to the “Notice on Further Clarifying the Subject and Non-Subject Category Scope of Off-Campus Training in the Compulsory Education Stage” issued by the Ministry of Education of the People’s Republic of China in July 2021, institutions providing extracurricular training in subjects such as morality and rule of law, Chinese, history, geography, mathematics, foreign languages, physics, chemistry and biology shall be regulated as academic training institutions, while institutions providing extracurricular training in subjects such as physical education, arts, information technology, labor and technical education shall be managed as non-academic training institutions.

The development direction of the Group’s education management services business is: provision of education management services to humanistic well-rounded education and arts and physical education-type institutions, which is in line with the prevailing education policies in the PRC Mainland.

(2) The enormous market in Chengdu

According to the “Chengdu Statistical Yearbook 2022” released by Chengdu Municipal Bureau of Statistics in March 2023, as of 31 December 2021, there were 645 middle schools, 642 primary schools and 2,773 kindergartens in Chengdu. The numbers of students receiving education at all levels were approximately 690,000 in middle schools, 1.12 million primary schools, and 650,000 in kindergartens.

The Group has successfully entered the Chengdu market and provided education management services to 8 education-related institutions. Currently, the Group will focus on the Chengdu market and existing customers to consolidate its own brand image. The Group will review its own resources from time to time and gradually implement expansion plans to increase manpower and expand the number of customers. As the PRC Mainland’s domestic education and teaching activities and the students’ extracurricular courses have all returned to normal, the Group expects that the education management services business will maintain stable and sustainable development.

III. Provision of Money Lending Services

As of Q3 2023, in an environment of high inflation and high interest rates, 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 clients in a timely manner based on the prevailing market conditions and the respective background of the clients. 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 nine months ended 30 September 2022: Nil).

Financial Review

For the nine months ended 30 September 2023, the Group had a total revenue of approximately HK\$3,779.1 million (for the nine months ended 30 September 2022: approximately HK\$21.5 million), representing an increase of approximately 17,471% as compared with the nine months ended 30 September 2022. For the nine months ended 30 September 2023, the Group recorded a loss of approximately HK\$0.5 million (for the nine months ended 30 September 2022: loss of approximately HK\$22.7 million), representing a decrease of approximately 97.6% as compared with the nine months ended 30 September 2022. The decrease in loss during the reporting period was mainly attributable to net effect of:

- (i) an increase in the Group's total revenue of approximately HK\$3,757.6 million as discussed in above;
- (ii) the carrying value of inventories sold was recognised approximately HK\$3,753.7 million (for the nine months ended 30 September 2022: approximately HK\$16.2 million);
- (iii) share of loss of an associate approximately HK\$1.5 million (for the nine months ended 30 September 2022: share of loss of an associate approximately HK\$3.4 million);
- (iv) a decrease in employee costs of approximately HK\$2.6 million; and
- (v) a decrease in other operating expenses of approximately HK\$3.8 million.

For the nine months ended 30 September 2023, the Group's loss attributable to owners of the Company was approximately HK\$0.5 million, as compared to the loss attributable to owners of the Company of approximately HK\$21.6 million for the nine months ended 30 September 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 30 September 2023, gearing ratio was approximately 59.5% (31 December 2022: approximately 38.4%).

Charge on the Group's assets

As at 30 September 2023, no Group's asset was pledged as security (31 December 2022: Nil).

Future Plan for Material Investments and Capital Assets

As at 30 September 2023, the Group did not have any concrete plan for material investments or capital assets.

Significant investments, acquisitions and disposals

During the nine months ended 30 September 2023, the Group did not have any significant investments, acquisitions and disposals of subsidiaries, associates and joint ventures.

Capital commitment

As at 30 September 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 30 September 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 30 September 2023.

OTHER INFORMATION

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

As at 30 September 2023, 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

Ordinary shares and underlying ordinary shares of the Company

| Name of Directors/ chief executives | Nature of interests | Number of ordinary shares held | Total | Approximate percentage of shareholding <i>(Note 1)</i> |
|--|---------------------------------------|--------------------------------------|-------------|---|
| Executive Director: | | | | |
| Zhang Siyuan <i>(Note 2)</i> | Interest of controlled corporation | 192,980,000 | 192,980,000 | 23.27% |

Note 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 30 September 2023.

Note 2: Mr. Zhang Siyuan holds the shares through his wholly-owned company, FIAS (HONG KONG) CO., LIMITED.

Short Positions

As at 30 September 2023, no short positions of Directors or the chief executive of the Company 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

So far as is known to the Company, as at 30 September 2023, the following persons/entities (other than the Directors and chief executive 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 1) |
|--|---------------------|--------------------------------|--|
| FIAS (HONG KONG) CO., LIMITED (Note 2) | Beneficial owner | 192,980,000 | 23.27% |
| 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% |

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 30 September 2023.
2. FIAS (HONG KONG) CO., LIMITED is wholly owned by Mr. Zhang Siyuan, the executive Director.

Save as disclosed above, no other interests or short positions of any persons/entities (other than the Directors and the chief executive 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 September 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 of the Company 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 30.9.2023 |
|----------------------|------------|---|----------------------|---|----------|-----------|-----------|----------|--------------------------------|
| | | | | Outstanding as at 1.1.2023 | Granted | Exercised | Cancelled | Lapsed | |
| 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 recognised employee costs for the nine months ended 30 September 2023 and 2022 in relation to share options granted by the Company.

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

During the nine months ended 30 September 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

During the nine months ended 30 September 2023, 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.

CORPORATE GOVERNANCE

Corporate Governance Code

During the nine months ended 30 September 2023, to the best knowledge of the Board, the Company had complied with the code provisions set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules (“**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. Before 21 June 2023, Mr. Wang Wendong holds both positions.

On 21 June 2023, (1) Mr. Wang Wendong (“**Mr. Wang**”) has resigned as the chairman of the Board and remains as the chief executive officer of the Company; and (2) Mr. Zhang Siyuan (“**Mr. Zhang**”) has been appointed as the chairman of the Board.

Following the above change, the Company fully complies with C.2.1 of the Code Provisions pursuant to which the roles of chairman of the Board and chief executive officer are held by Mr. Zhang and Mr. Wang, respectively.

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 nine months ended 30 September 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 D.3.3 of the Code Provisions. The duties of the Audit Committee include reviewing, in draft form, the Company's annual report and accounts, half-yearly report and quarterly report and providing advice and comments to the Board. In this regard, members of the Audit Committee will liaise with the Board, the Company's senior management and auditors. The Audit Committee will also consider any significant or usual items that are, or may need to be, reflected in such reports and accounts and give consideration to any matters that have been raised by the Company's accounting staff, compliance officers or auditors. Members of the Audit Committee are also responsible for reviewing the Company's financial reporting process, risk management and internal control systems.

As at the date of this announcement, the Audit Committee comprises 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 result announcement and quarterly report, including the unaudited condensed consolidated financial statements of the Group for the three months and nine months ended 30 September 2023, prior to recommending them to the Board for approval.

CHANGES IN DIRECTORS' INFORMATION

On 12 September 2023, Mr. Fung Chi Kin retired as a non-executive director of Sang Hing Holdings (International) Limited (Stock Code: 1472).

CONTINUED SUSPENSION OF TRADING

References are made to the announcements of the Company dated 31 October 2022, 8 November 2022, 12 February 2023, 21 February 2023, 16 May 2023, 31 May 2023 and 15 August 2023 in relation to the matters under Rule 17.26 of the GEM Listing Rules. At the request of the Company, trading in the Shares has been suspended with effect from 9:00 a.m. on Tuesday, 16 May 2023. Further announcement(s) will be made by the Company to update the Shareholders on the progress of the resumption as and when appropriate and in accordance with the requirements of the GEM Listing Rules. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

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

Hong Kong, 13 November 2023

As at the date of this announcement, the executive Directors are Mr. Zhang Siyuan (Chairman of the Board), 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.