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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)**

**INTERIM RESULTS ANNOUNCEMENT**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2022**

**CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

*This announcement, for which the directors (the “**Director(s)**” or individually a “**Director**”) of Loco Hong Kong Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”, “**we**”, “**our**” or “**us**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on 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 will remain on the “Latest Listed Company Information” page of the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) for at least seven days from the date of its posting and will be available on the Company’s website at [www.locohkholdings.com](http://www.locohkholdings.com).*

The board of Directors (the “**Board**”) of the Company presents the unaudited condensed consolidated interim financial statements of the Group for the three months and six months ended 30 June 2022, together with the comparative unaudited figures for the corresponding periods in 2021, as follows:

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

	<i>Note</i>	<b>Unaudited</b>			
		<b>Six months ended</b>		<b>Three months ended</b>	
		<b>30 June</b>		<b>30 June</b>	
		<b>2022</b>	2021	<b>2022</b>	2021
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>					
– Sales of metal		<b>10,311</b>	1,782	<b>6,043</b>	1,782
– Education management services		<b>1,824</b>	3,376	<b>1,378</b>	2,196
		<b>12,135</b>	5,158	<b>7,421</b>	3,978
Trading gains/(losses) on commodity forward contracts		<b>40</b>	(4)	<b>40</b>	(4)
Other income		<b>380</b>	67	<b>344</b>	15
		<b>12,555</b>	5,221	<b>7,805</b>	3,989
Carrying value of inventories sold		<b>(10,322)</b>	(1,801)	<b>(6,061)</b>	(1,801)
Change in fair value of commodity inventory		<b>(17)</b>	(4)	<b>(26)</b>	9
Depreciation of property, plant and equipment		<b>(616)</b>	(631)	<b>(306)</b>	(318)
Depreciation of right-of-use assets		<b>(1,262)</b>	(1,484)	<b>(618)</b>	(724)
Employee costs		<b>(7,025)</b>	(9,672)	<b>(3,381)</b>	(4,576)
Gain on disposal of other financial asset		<b>50</b>	–	–	–
Other operating expenses		<b>(7,915)</b>	(4,001)	<b>(3,400)</b>	(1,827)
(Provision)/reversal of provision of loss allowance on trade and other receivable		<b>(32)</b>	(205)	<b>36</b>	(174)
Rental expenses		<b>(725)</b>	(640)	<b>(346)</b>	(327)
Share of (loss)/profit of associate		<b>(1,866)</b>	79	<b>(1,406)</b>	62
Finance costs	5	<b>(55)</b>	(40)	<b>(26)</b>	(28)

		<b>Unaudited</b>			
		<b>Six months ended</b>		<b>Three months ended</b>	
		<b>30 June</b>		<b>30 June</b>	
		<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<i>Notes</i>		<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
	Loss before income tax expense	(17,230)	(13,178)	(7,729)	(5,715)
	Income tax expense	6	-	-	(4)
	<b>Loss for the period</b>	<b>(17,230)</b>	<b>(13,182)</b>	<b>(7,729)</b>	<b>(5,719)</b>
	<b>Loss for the period attributable to:</b>				
	– Owners of the Company	(16,190)	(12,561)	(7,729)	(5,615)
	– Non-controlling interests	(1,040)	(621)	-	(104)
		<b>(17,230)</b>	<b>(13,182)</b>	<b>(7,729)</b>	<b>(5,719)</b>
	<b>Loss for the period</b>	<b>(17,230)</b>	<b>(13,182)</b>	<b>(7,729)</b>	<b>(5,719)</b>
	<b>Other comprehensive (loss)/income</b>				
	Item that may be reclassified				
	subsequently to profit or loss:				
	Exchange differences on translating				
	foreign operations	(488)	157	(572)	257
	<b>Total comprehensive loss</b>				
	<b>for the period</b>	<b>(17,718)</b>	<b>(13,025)</b>	<b>(8,301)</b>	<b>(5,462)</b>
	<b>Total comprehensive (loss)/income</b>				
	<b>for the period attributable to:</b>				
	– Owners of the Company	(16,714)	(12,479)	(8,301)	(5,480)
	– Non-controlling interests	(1,004)	(546)	-	18
		<b>(17,718)</b>	<b>(13,025)</b>	<b>(8,301)</b>	<b>(5,462)</b>
		<b>HK cents</b>	<b>HK cents</b>	<b>HK cents</b>	<b>HK cents</b>
	<b>Basic and diluted loss per share</b>	<b>(1.95)</b>	<b>(1.82)</b>	<b>(0.93)</b>	<b>(0.82)</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	<b>Unaudited 30 June 2022 HK\$'000</b>	Audited 31 December 2021 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		1,895	2,574
Right-of-use assets		3,255	5,186
Interest in an associate		5,837	7,703
Other financial assets	9	4,500	5,500
		15,487	20,963
<b>Current assets</b>			
Inventories		239	256
Trade and other receivables and prepayments	10	14,946	12,915
Loan receivable		–	–
Cash and cash equivalents		5,799	20,880
		20,984	34,051
<b>Current liabilities</b>			
Other payables and accruals		3,154	2,033
Lease liabilities		1,732	2,667
		4,886	4,700
<b>Net current assets</b>		16,098	29,351
<b>Total assets less current liabilities</b>		31,585	50,314
<b>Non-current liabilities</b>			
Lease liabilities		1,583	2,594
		1,583	2,594
<b>Net assets</b>		30,002	47,720
<b>Equity</b>			
Share capital		188,348	188,348
Reserves		(158,346)	(141,632)
<b>Equity attributable to the owners of the Company</b>		30,002	46,716
Non-controlling interests		–	1,004
<b>Total equity</b>		30,002	47,720

# 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>
<b>At 1 January 2021</b>	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
<b>At 30 June 2021</b>	<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>
<b>At 1 January 2022</b>	188,348	(1,357)	7,846	1,647	874	(150,642)	46,716	1,004	47,720
Loss for the period	-	-	-	-	-	(16,190)	(16,190)	(1,040)	(17,230)
Other comprehensive income:									
Exchange differences on translating foreign operations	-	-	-	-	(524)	-	(524)	36	(488)
Total comprehensive income/(loss) for the period	-	-	-	-	(524)	(16,190)	(16,714)	(1,004)	(17,718)
<b>At 30 June 2022</b>	<u>188,348</u>	<u>(1,357)</u>	<u>7,846</u>	<u>1,647</u>	<u>350</u>	<u>(166,832)</u>	<u>30,002</u>	<u>-</u>	<u>30,002</u>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended	
	30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Cash flows from operating activities</b>		
Loss before income tax	<u>(17,230)</u>	<u>(13,178)</u>
Adjustments for:		
Change in fair value of commodity inventories	17	4
Depreciation of property, plant and equipment	616	631
Depreciation of right-of-use assets	1,262	1,484
Employee share option expenses	–	644
Interest income	(10)	(20)
Interest expenses	55	40
Provision of loss allowance on trade and other receivables	32	205
Share loss/(profit) of associate	1,866	(79)
Trading (gains)/losses on commodity forward contracts	(40)	4
Gain on disposal of other financial asset	<u>(50)</u>	<u>–</u>
<b>Operating cash flows before changes in working capital</b>	<b>(13,482)</b>	<b>(10,265)</b>
Increase in trade and other receivables and prepayments	(2,770)	(13,066)
Increase in other payables and accruals	<u>1,121</u>	<u>4,170</u>
Cash used in operations	(15,131)	(19,161)
Income taxes paid	<u>–</u>	<u>(23)</u>
<b>Net cash used in operating activities</b>	<b>(15,131)</b>	<b>(19,184)</b>

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Cash flows from investing activities</b>		
Interest received	3	12
Purchases of property, plant and equipment	–	(526)
Proceed from disposal of other financial asset	<u>1,050</u>	<u>–</u>
<b>Net cash generated from/(used in) investing activities</b>	<u>1,053</u>	<u>(514)</u>
<b>Cash flows from financing activities</b>		
Interest element of lease payment paid	(55)	(28)
Repayments of capital element of lease payment	<u>(1,168)</u>	<u>(1,534)</u>
<b>Net cash used in financing activities</b>	<u>(1,223)</u>	<u>(1,562)</u>
<b>Net decrease in cash and cash equivalents</b>	(15,301)	(21,260)
<b>Cash and cash equivalents at beginning of the period</b>	20,880	28,964
Effect of foreign exchange rate changes	<u>220</u>	<u>2</u>
<b>Cash and cash equivalents at end of the period</b>	<u><u>5,799</u></u>	<u><u>7,706</u></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 metal 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 interim financial statements of the Group for the six months ended 30 June 2022 are presented in thousands of units of Hong Kong dollars (“**HK\$’000**”), unless otherwise stated. These unaudited condensed consolidated interim financial statements were authorised for issue by the Directors on 11 August 2022.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited 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 unaudited 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 unaudited 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 2021 (the “**2021 annual financial statements**”).

These unaudited condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the 2021 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 2022. The adoption of these new or revised HKFRSs has had no material effect on the amounts reported and/or disclosures set out in these unaudited condensed consolidated 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 unaudited 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 2021 included in these unaudited 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 2021 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 2021. 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 unaudited 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 2021 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 metal – Sales of metal/metal product and interest income from forward arrangements in Hong Kong and PRC Mainland.
- 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 metal HK\$'000	Education management services HK\$'000	Money lending services HK\$'000	
Six months ended 30 June 2022				
Reportable segment revenue ( <i>note (i)</i> )	<u>10,311</u>	<u>1,824</u>	<u>–</u>	<u>12,135</u>
Reportable segment loss	<u>(3,489)</u>	<u>(2,522)</u>	<u>(76)</u>	<u>(6,087)</u>
As at 30 June 2022				
Reportable segment assets	16,506	15,380	251	32,137
Reportable segment liabilities	<u>559</u>	<u>306</u>	<u>257</u>	<u>1,122</u>

	Unaudited			Total HK\$'000
	Trading of 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 31 December 2021 (Audited)				
Reportable segment assets	17,846	20,589	283	38,718
Reportable segment liabilities	<u>717</u>	<u>486</u>	<u>282</u>	<u>1,485</u>

*Note:*

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

(b) Reconciliation of reportable segment results

	Unaudited	
	Six months ended	
	30 June	
	2022	2021
	HK\$'000	HK\$'000
Reportable segment loss	(6,087)	(3,106)
Depreciation of property, plant and equipment	(12)	(124)
Depreciation of right-of-use assets	(968)	(1,120)
Interest expenses	(43)	(32)
Employee costs	(4,666)	(6,428)
Gain on disposal of other financial asset	50	–
Other unallocated corporate expenses	(5,504)	(2,368)
	<u>(17,230)</u>	<u>(13,178)</u>

(c) Disaggregation of revenue

	Unaudited							
	Six months ended 30 June							
	Trading of		Education		Money lending		Total	
	metal		managements		services			
	2022	2021	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Primary geographical markets								
Hong Kong	8,451	1,782	–	–	–	–	8,451	1,782
PRC (exclude Hong Kong)	1,860	–	1,824	3,376	–	–	3,684	3,376
	<u>10,311</u>	<u>1,782</u>	<u>1,824</u>	<u>3,376</u>	<u>–</u>	<u>–</u>	<u>12,135</u>	<u>5,158</u>

(d) Disaggregation of revenue from contracts with customers

	Unaudited	
	Six months ended	
	30 June	
	2022	2021
	HK\$'000	HK\$'000
<b>By timing of revenue recognition:</b>		
Control transferred over time	1,824	3,376
Control transferred at a point in time	<u>10,311</u>	<u>1,782</u>
	<u><b>12,135</b></u>	<u><b>5,158</b></u>

5. FINANCE COSTS

	Unaudited			
	Six months ended		Three months ended	
	30 June		30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest expenses on other borrowing	–	12	–	12
Interest expenses on lease liabilities	<u>55</u>	<u>28</u>	<u>26</u>	<u>16</u>
	<u><b>55</b></u>	<u><b>40</b></u>	<u><b>26</b></u>	<u><b>28</b></u>

6. INCOME TAX EXPENSE

The amount of the income tax expense represents the following:

	Unaudited			
	Six months ended		Three months ended	
	30 June		30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax	<u>–</u>	<u>(4)</u>	<u>–</u>	<u>(4)</u>

Hong Kong Profits Tax is calculated at 16.5% (2021: 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 (2021: 25%).

## 7. DIVIDENDS

The Board does not recommend the payment of any dividend of the Company for the six months ended 30 June 2022 (2021: 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	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Loss</b>				
Loss attributable to owners of the Company	<u>(16,190)</u>	<u>(12,561)</u>	<u>(7,729)</u>	<u>(5,615)</u>
<b>Number of shares</b>				
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<u>829,404,000</u>	<u>691,170,000</u>	<u>829,404,000</u>	<u>691,170,000</u>

Diluted loss per share for loss attributable to owners of the Company for the three months and six months ended 30 June 2022 and 2021 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	31 December
	2022	2021
	HK\$'000	HK\$'000
Financial assets measured at fair value through profit or loss ("FVTPL")		
– Unlisted equity securities A (note a)	–	1,000
– Unlisted equity securities B (note b)	<u>4,500</u>	<u>4,500</u>
	<u>4,500</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. During the six month ended 30 June 2022, the Group disposed of 16.7% equity interest in Grand Max to an independent third party (31 December 2021: 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 2022, the Group held 18% equity interest in Lexus (31 December 2021: 18%).

**10. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS**

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2022</b>	2021
	<b>HK\$'000</b>	<b>HK\$'000</b>
Trade receivables	<b>2,129</b>	3,088
Less: provision for loss allowance	<b>(114)</b>	(166)
Trade receivables – net ( <i>note</i> )	<b>2,015</b>	2,922
Loan interest receivable	<b>893</b>	893
Less: provision for loss allowance	<b>(893)</b>	(893)
Loan interest receivable – net	<b>–</b>	–
Other receivables and deposits	<b>12,466</b>	9,940
Less: provision for loss allowance	<b>(304)</b>	(239)
Other receivables and deposits – net	<b>12,162</b>	9,701
Prepayments	<b>769</b>	292
	<b>14,946</b>	12,915

*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:

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2022</b>	2021
	<b>HK\$'000</b>	<b>HK\$'000</b>
0 – 30 days	<b>1,350</b>	578
91 – 180 days	–	543
181 days – 1 year	<b>665</b>	1,801
	<b>2,015</b>	2,922

- (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 2022 (2021: 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:

	<b>Unaudited</b>			
	<b>Six months ended</b>		<b>Three months ended</b>	
	<b>30 June</b>		<b>30 June</b>	
	<b>2022</b>	2021	<b>2022</b>	2021
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Salaries and short-term employee benefits	<b>2,804</b>	3,460	<b>1,468</b>	1,664
Contributions to pension scheme	<b>27</b>	27	<b>14</b>	14
	<b>2,831</b>	3,487	<b>1,482</b>	1,678

## **11. 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:

	<b>Unaudited</b>			
	<b>30 June 2022</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Financial assets at FVTPL:				
– Unlisted equity securities	<u>–</u>	<u>–</u>	<u>4,500</u>	<u>4,500</u>
	<b>Audited</b>			
	<b>31 December 2021</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Financial assets at FVTPL:				
– Unlisted equity securities	<u>–</u>	<u>–</u>	<u>5,500</u>	<u>5,500</u>

During the six months ended 30 June 2022, 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).

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 2022 (“**1H2022**” or the “**Current Period**”), the Group’s principal activities were broadly divided into the trading of metal 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

As of 1H2022, given that the recurrent global COVID-19 pandemic continued and geopolitical conflicts intensified, coupled with high inflation and continuous interest rate hikes in the major economies, the global economic development faced negative expectations of instability and uncertainty. During the Current Period, the PRC Mainland has also experienced recurrent pandemic, and ports, logistics and supply chains in Shanghai and its surrounding cities were temporarily suspended, until the end of May when the pandemic was initially brought under control, and the economy gradually returned to normal. Despite the Group faced the severe external business environment, it continued to make active efforts and the trading of metal business segment maintained steady growth in the first half of the year.

During the Current Period, the Group has made substantial progress in expanding the supply chain business in the metal industry chain in the PRC Mainland market. The Group’s wholly-owned subsidiary, Sichuan Loco Metal Technology Co., Ltd\* (四川港銀金屬科技有限公司) (“**Sichuan Loco**”) entered into a supplemental agreement (the “**Supplemental Agreement**”) with Chengdu Zhonghuan Fulin Trading Co., Ltd.\* (成都中環福霖商貿有限公司) (“**Zhonghuan Fulin**”) on 18 May 2022. Pursuant to the Supplemental Agreement, Sichuan Loco agreed to sell, and Zhonghuan Fulin agreed to purchase, metal products within the business scope of Sichuan Loco, including but not limited to the steel, metal components and steel fastener materials with national standards. The entering into of the Supplemental Agreement represented an opportunity to diversify and expand the Group’s metal business for the Group and provided a solid foundation for the business development. For details, please refer to the voluntary announcement of the Company dated 18 May 2022. The Board expects that the Supplemental Agreement and cooperation between Sichuan Loco and Zhonghuan Fulin will create a demonstration effect for the Group to attract other state-owned or private enterprises in the PRC Mainland to cooperate. Meanwhile, the Group also actively expanded reliable supplier channels and logistics channels. Within a short period of time of the end of the second quarter when the domestic epidemic was initially brought under control and the inter-provincial logistics restrictions were lifted, the Group successfully completed the delivery of several orders and contracts with Zhonghuan Fulin, laying a good foundation of mutual trust for subsequent business development.

\* *English name for identification purpose only*

The trading of metal in the field of metal business also achieved a stable and sustained growth of revenue compared with the corresponding period in last year. The silver smelting and processing business of the Group in Hong Kong was still subject to the overall decline year by year, and the supply of suppliers is still in short. However, the Company has maintained the availability of plant facilities. Further, in June 2022, the Group also employed a new technician with experience in metal smelting and processing technology. Accordingly, in the meanwhile of trading of metal, the Company stands ready to resume metal smelting and processing once commodity supply and market demand resume.

As of 1H2022, the Group's metal trading business recorded an improvement in revenue compared to the same period in last year, with sales revenue from this business segment amounting to approximately HK\$10.3 million (for the six months ended 30 June 2021: approximately HK\$1.8 million). This growth in revenue from metal business underlined the Group's effort and commitment to further develop the metal business. The Group is confident that it will be able to further improve and expand its metal business after the pandemic situation has gradually stabilized and the economic recovery is on track.

### **Education management**

As of 1H2022, 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 in the PRC Mainland.

In April 2022, the Ministry of Education of the PRC issued the latest amendments to the Compulsory Education Programs and Curriculum Standards (2022 version) and also explained the relevant situation, while the new programs will be implemented in the fall semester of 2022. According to the new version of the Compulsory Education Programs and Curriculum Standards (2022 version), each of arts and physical education (“**Arts & PE**”) has become a “compulsory course” in the compulsory education stage, and the aggregated class hours of arts and physical education courses will reach 19%-22% of the total class hours, which is almost equal to the Chinese, Mathematics and Foreign Language courses. National policies will support and encourage the promotion of comprehensive well-rounded education. In response to the latest policies of the state and the Ministry of Education, the Group has optimized and adjusted its education management business in a timely manner, focusing on the fields of Arts & PE education and well-rounded education encouraged by national policies. In order to more effectively implement the Group's strategic plan, the Group completed the acquisition of 43% equity interest in True Time International Investments Limited (indirectly holding 100% equity interest in Loco Yahui) on 31 May 2022. After the acquisition, True Time International Investments Limited and Loco Yahui became the direct wholly-owned subsidiary and indirect wholly-owned subsidiary of the Company, respectively. For details, please refer to the announcement of the Company dated 31 May 2022. The Board believes that the completion of such acquisition will enable the Group to effectively implement the development strategy of Loco Yahui in the education management business and share more revenue from the future business development of Loco Yahui.

\* *English name for identification purpose only*

During the Current Period, Loco Yahui newly entered into an agreement with a party (being an institution that provides well-rounded education in Chengdu) regarding education management services. Such institution mainly provides primary and secondary school students with courses which integrate site-based curriculum and research art, crafts and other courses to improve well-rounded education. For details, please refer to the voluntary announcement of the Company dated 7 June 2022. In late June 2022, Loco Yahui also entered into a management service agreement with a distributor of educational textbooks and books in the PRC Mainland to help such client improve the integration of educational books market resources in the education field and develop new educational books distribution market. The two parties also discussed the possibility of further cooperation.

For the education management services businesses, the Group has optimized its development strategy in a timely manner. The parties to the newly signed cooperation agreement include institutions that provide well-rounded education, and also include upstream business units in the education industry and distributors of educational textbooks and books, which will effectively promote the development of the Group's education business. We will still pay close attention to policy trends and regulatory environment, and further optimize and adjust its business model and related arrangements in response to the government's new policies on the rectification and reform of education.

During the Current Period, this business segment contributed approximately HK\$1.8 million in revenue to the Group (for the six months ended 30 June 2021: approximately HK\$3.4 million).

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

As of 1H2022, given that the global pandemic is still not yet under control and due to a series of uncertainties such as Russia-Ukraine conflict, high global inflation and continuous interest rate hikes, the global economic and social development faced downward pressure and negative expectations, and the environment for personal employment and business operation is still severe. Similarly, the market conditions in the PRC Mainland were also affected. Therefore, we believed that the credit risk in our money lending services remains high. Due to the uncertain economic situation and business outlook, the Group strictly adheres to a prudent credit assessment and review policy and assesses the creditworthiness of existing and potential customers in a timely manner based on the prevailing market conditions and the respective background of the customers. As the prevailing uncertain economic conditions would affect asset valuation projections, business forecasts and individual repayment capacity projections, the Group has adopted further enhanced risk control measures and prudent evaluation and lending policies in selecting qualified credit applicants for potential business opportunities. However, we will expand our business accordingly when the time comes.

Therefore, no revenue was recorded in this business segment during the Current Period (for the six months ended 30 June 2021: Nil).

## **OUTLOOK**

Given that the international situation and the international economic environment have become more complex, severe and uncertain, coupled with the repeated global pandemic, high inflation and continuous interest rate hikes, the operating environment of the Group's metal business and its various business aspects will face more complex and changeable situations. Nevertheless, the Group still expects to further improve and expand its metal business once the pandemic can be brought under control and gradually stabilized, and the economic recovery returns to normal. We will continue to uphold the strategy of active efforts and continuous expansion of our main business, highly pay attention to the risk control and choose partners carefully, and vigorously expand the metal business and metal supply chain industry within the PRC Mainland on the basis of the current trading of metal business. The Group's money lending business still requires cautious assessment and robust risk control. For the education industry, we have made optimizations in a timely manner, and will strengthen the Arts & PE education and well-rounded education-related businesses encouraged by national policies, actively expanding and broadening the upstream and downstream business opportunities in the education business field. We will continue to pay close attention to the policy trends and regulatory environment, and further optimize and adjust in response to the government's new policies on the rectification and reform of education. All in all, the Group will strive to seek development in the balance of risk control in its existing business model.

## **FINANCIAL REVIEW**

For the six months ended 30 June 2022, the Group had a total revenue of approximately HK\$12.14 million (for the six months ended 30 June 2021: approximately HK\$5.16 million), representing an increase of approximately 135% as compared with the six months ended 30 June 2021. For the six months ended 30 June 2022, the Group recorded a loss of approximately HK\$17.2 million (for the six months ended 30 June 2021: approximately HK\$13.2 million), representing an increase of approximately 30% as compared with the six months ended 30 June 2021. The increase in loss was mainly attributable to the net effect of:

- (i) an increase in the Group's total revenue of approximately HK\$6.98 million as discussed above;
- (ii) the carrying value of inventories sold was recognised approximately HK\$10.3 million (for the six months ended 30 June 2021: approximately HK\$1.8 million);
- (iii) share of loss of associate approximately HK\$1.9 million (for the six months ended 30 June 2021: share of profit of associate approximately HK\$0.8 million);
- (iv) a decrease in employee costs of approximately HK\$2.6 million; and
- (v) an increase in other operating expenses of approximately HK\$3.9 million.

For six months ended 30 June 2022, the Group's loss attributable to owners of the Company was approximately HK\$16.2 million, as compared to the loss attributable to owners of the Company of approximately HK\$12.6 million for the six months ended 30 June 2021.

## **CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2022, the Group had cash and bank balances of approximately HK\$5.8 million (31 December 2021: approximately HK\$20.9 million) and net current assets of approximately HK\$16.1 million (31 December 2021: approximately HK\$29.4 million). As at 30 June 2022, the current ratio stood at 4.29 times (31 December 2021: 7.24 times).

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

As at 30 June 2022, no banking facilities were granted to the Group (31 December 2021: 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 2022, no gearing ratio was presented as the Group has net cash surplus (31 December 2021: net cash surplus).

## **CHARGE ON THE GROUP'S ASSETS**

As at 30 June 2022, no Group's asset was pledged as security (31 December 2021: Nil).

## **FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

As at 30 June 2022, 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 2022, the Group did not have any significant investments, acquisitions and disposals.

## PLACING OF NEW SHARES UNDER GENERAL MANDATE

### Placing of new shares in 2021

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

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

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

As at 30 June 2022, the aforesaid net proceeds use which are consistent with the intended use of proceeds has been applied as follows:

	<i>HK\$'000</i>
Unutilized amount of proceeds as at 1 January 2022	<b>12,918</b>
Utilized amount of proceeds during the period:	
– General working capital	<b>(11,784)</b>
– Metal business	<b>(1,134)</b>
	<hr/>
Unutilized amount of proceeds as at 30 June 2022	<b>–</b>

### CAPITAL COMMITMENT

As at 30 June 2022, the Group did not have any significant capital commitment (31 December 2021: Nil).

## **FOREIGN EXCHANGE EXPOSURE**

The Group's sales, purchase and borrowings are predominantly denominated in HK\$, United States dollars and Renminbi. The Directors considered that the Group had no significant exposure to foreign exchange fluctuations and believed it was not necessary to hedge against any exchange risk. Nevertheless, the Company's management will continue to monitor the foreign exchange exposure position and will take any future measures if appropriate.

## **CONTINGENT LIABILITIES**

As at 30 June 2022, the Group did not have any material contingent liabilities, guarantees or any litigation or claims of material importance pending or threatened against any member of our Group (31 December 2021: Nil) and there has not been any material change in the contingent liabilities of the Group since 30 June 2022.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 June 2022, the Group employed a total of 31 staff (31 December 2021: 30). The total of employee remuneration, including remuneration of the Directors, for the six months ended 30 June 2022 amounted to approximately HK\$7.0 million (for the six months ended 30 June 2021: approximately HK\$9.7 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.

## **DIVIDENDS**

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2022 (2021: nil).

## **EVENTS AFTER THE REPORTING PERIOD**

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

## OTHER INFORMATION

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

As at 30 June 2022, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

#### Long positions

##### (a) Ordinary shares and underlying ordinary shares of the Company

Name of Directors/chief executives	Nature of interests	Number of ordinary shares held	Number of underlying ordinary shares of the Company held (Note 1)	Total	Approximate percentage of shareholding (Note 2)
<b>Executive Directors:</b>					
Mr. Wang Wendong	Beneficial Owner	–	5,700,000	5,700,000	0.69%
Mr. Fung Chi Kin	Beneficial Owner	–	5,700,000	5,700,000	0.69%
<b>Independent Non-Executive Directors:</b>					
Mr. Zhou Tianshu	Beneficial Owner	–	570,000	570,000	0.07%
Ms. Wu Liyan	Beneficial Owner	–	570,000	570,000	0.07%
Ms. Wong Susan Chui San	Beneficial Owner	–	570,000	570,000	0.07%

*Note 1:* These are share options granted by the Company to the Directors under the Scheme on 27 August 2019. The particulars of the Directors' interests in share options are set out in part (b) below.

*Note 2:* The approximate percentage of shareholding was calculated based on the total number of ordinary shares in issue, being 829,404,000 shares as at 30 June 2022.

**(b) Interests in share options relating to ordinary shares of the Company**

Name of Directors	Date of grant	Exercise price per share HK\$	Exercise period	Number of share options and underlying shares					Outstanding as at 30.6.2022
				Outstanding as at 1.1.2022	Granted	Exercised	Cancelled	Lapsed	
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 2022, 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 2022, the following persons/entities (other than the Directors and chief executives of the Company as disclosed above) have interest or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

<b>Name</b>	<b>Nature of interests</b>	<b>Number of ordinary shares held</b>	<b>Approximate percentage of shareholding</b> <i>(Note)</i>
Hon Pok	Beneficial owner	76,000,000	9.16%
Poon Lai	Beneficial owner	55,300,000	6.67%
Zhang Bo	Beneficial owner	45,000,000	5.43%
Fung Ping Tak	Beneficial owner	55,000,000	6.63%
Poon Kwan Ho	Beneficial owner	46,000,000	5.55%
So Hing Sang	Beneficial owner	41,964,000	5.06%
Liu Chengnan	Beneficial owner	41,960,000	5.06%
Wong Man Na	Beneficial owner	41,960,000	5.06%

*Note:* The approximate percentage of shareholding was calculated based on the total number of ordinary shares in issue, being 829,404,000 shares as at 30 June 2022.

Save as disclosed above, no other interests or short positions of any persons/entities (other than the Directors and the chief executives of the Company) in the shares or underlying shares of the Company were recorded in the register or as otherwise notified to the Company and the Stock Exchange as at 30 June 2022.

## SHARE OPTIONS

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 HK\$	Exercise period	Number of share options and underlying shares					Outstanding as at 30.6.2022
				Outstanding as at 1.1.2022	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 expected life of the options may not be necessarily indicative of the exercise pattern that may occur. The expected volatility reflects the assumption that the historical volatility of comparable companies are indicative of future trends, which may also not necessarily be the actual outcome.

The fair value of equity-settled share options granted during the year ended 31 December 2019 were HK\$0.211, HK\$0.212 and HK\$0.213 per option each for three tranches which will be vested on 27 August 2019, 27 August 2020 and 27 August 2021, respectively, amounted to approximately HK\$7,984,000 in aggregate. The fair values were estimated as at 27 August 2019, being the date of grant, using the Binomial Option Pricing Model and taking into account the terms and conditions upon which the options were granted. The significant assumptions and inputs used in the estimation of the fair value are as follows:

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

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

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

The Group did not recognised employee costs for the six months ended 30 June 2022 (for the six months ended 30 June 2021: approximately HK\$0.6 million) in relation to share options granted by the Company.

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

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **COMPETITION AND CONFLICT OF INTEREST**

During the six months ended 30 June 2022, 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 2022, 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. 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 2022.

## **Audit Committee**

The Company established the Audit Committee on 22 July 2014 with written terms of reference that was amended and adopted with effect from 2 January 2019 in compliance with D.3.3 of the Code Provisions. The duties of the Audit Committee include reviewing, in draft form, our annual report and accounts, half-yearly report and quarterly report and providing advice and comments to the Board. In this regard, members of the Audit Committee will liaise with the Board, our senior management and auditors. The Audit Committee will also consider any significant or usual items that are, or may need to be, reflected in such reports and accounts and give consideration to any matters that have been raised by our accounting staff, compliance officers or auditors. Members of the Audit Committee are also responsible for reviewing our Company's financial reporting 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 announcement, including the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2022, 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 E.1.2 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 B.3.1 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 it 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 2021 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 2022

*As at the date of this announcement, the executive Directors are Mr. Wang Wendong and Mr. Fung Chi Kin; and the independent non-executive Directors are, Mr. Zhou Tianshu, Ms. Wu Liyan and Ms. Wong Susan Chui San.*