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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)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

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

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

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

*This announcement, for which the directors (the “**Directors**”) of Loco Hong Kong Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

This announcement shall remain on the “Latest Listed Company Information” page of the Stock Exchange’s website at www.hkexnews.hk for at least seven days from the date of its publication and will be available on the Company’s website at www.locohkholdings.com.

The Board of Directors (the “**Board**”) of the Company hereby announces the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2022, together with comparative figures for the previous year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	<i>Notes</i>	2022 <i>HK\$’000</i>	2021 <i>HK\$’000</i>
Revenue			
– Sales of metal		34,548	9,387
– Education management services		13,793	4,545
		<hr/>	<hr/>
Total revenue	3	48,341	13,932
Trading gains on commodity forward contracts		59	43
Other income		558	79
		<hr/>	<hr/>
		48,958	14,054
Carrying value of inventories sold		(34,062)	(9,413)
Change in fair value of commodity inventories		5	(21)
Depreciation on property, plant and equipment		(1,212)	(1,193)
Depreciation on right-of-use assets		(2,392)	(2,758)
Employee costs		(13,169)	(18,507)
Fair value changes on other financial assets		(170)	–
Other operating expenses		(14,198)	(11,553)
Provision of loss allowance on trade and other receivables		(214)	(200)
Rental expenses		(1,435)	(1,399)
Share of loss of an associate		(4,787)	(378)
Finance costs	4	(219)	(131)
		<hr/>	<hr/>
Loss before income tax expense	5	(22,895)	(31,499)
		<hr/>	<hr/>
Income tax (expense)/credit	6	(269)	139
		<hr/>	<hr/>
Loss for the year		(23,164)	(31,360)
		<hr/> <hr/>	<hr/> <hr/>

		2022	2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other comprehensive (loss)/income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>(1,280)</u>	<u>392</u>
Other comprehensive (loss)/income for the year, net of tax		<u>(1,280)</u>	<u>392</u>
Total comprehensive loss for the year		<u>(24,444)</u>	<u>(30,968)</u>
Loss for the year attributable to:			
– Owners of the Company	7	<u>(22,074)</u>	<u>(29,159)</u>
– Non-controlling interests		<u>(1,090)</u>	<u>(2,201)</u>
		<u>(23,164)</u>	<u>(31,360)</u>
Total comprehensive loss for the year attributable to:			
– owners of the Company		<u>(23,153)</u>	<u>(28,954)</u>
– non-controlling interests		<u>(1,291)</u>	<u>(2,014)</u>
		<u>(24,444)</u>	<u>(30,968)</u>
Loss per share attributable to owners of the Company during the year (basic and diluted)	7	<u>(2.66)</u>	<u>(3.93)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Notes</i>	2022 HK\$'000	2021 HK\$'000
Non-current assets			
Property, plant and equipment		1,249	2,574
Right-of-use assets		6,338	5,186
Interest in an associate		2,916	7,703
Other financial assets		4,280	5,500
		<u>14,783</u>	<u>20,963</u>
Current assets			
Inventories		261	256
Trade and other receivables and prepayments	8	29,424	12,915
Loan receivable	9	–	–
Cash and cash equivalents		4,180	20,880
		<u>33,865</u>	<u>34,051</u>
Current liabilities			
Other payables and accruals	10	2,204	2,033
Borrowings		12,050	–
Contract liabilities		4,215	–
Tax payable		72	–
Lease liabilities		2,035	2,667
		<u>20,576</u>	<u>4,700</u>
Net current assets		<u>13,289</u>	<u>29,351</u>
Total assets less current liabilities		<u>28,072</u>	<u>50,314</u>
Non-current liabilities			
Deferred tax liabilities		194	–
Lease liabilities		4,602	2,594
		<u>4,796</u>	<u>2,594</u>
Net assets		<u>23,276</u>	<u>47,720</u>
Equity			
Share capital		188,348	188,348
Reserves		(165,072)	(141,632)
Equity attributable to the owners of the Company		<u>23,276</u>	<u>46,716</u>
Non-controlling interests		–	1,004
Total equity		<u>23,276</u>	<u>47,720</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL INFORMATION

Loco Hong Kong Holdings Limited (the “**Company**”) is a limited liability company incorporated in Hong Kong and its shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) with effect from 5 August 2014. The addresses of the registered office and principal place of business are Unit 401, 4/F., Fairmont House, 8 Cotton Tree Drive, Admiralty, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (collectively the “**Group**”) are principally engaged in trading of metal and metal supply chain business in Hong Kong and the mainland of the People’s Republic of China (the “**PRC Mainland**”), provision of education management services in the PRC Mainland and provision of money lending services in Hong Kong.

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (“**HK\$’000**”), unless otherwise stated. These consolidated financial statements were approved and authorized for issue by the board of directors on 24 March 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance Cap.622 (“**CO**”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (“**GEM Listing Rules**”).

The consolidated financial statements have been prepared on the historical cost basis except for certain inventories and financial instruments that are measured at fair values.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 “*Share-based Payment*” (“**HKFRS 2**”), leasing transactions that are accounted for in accordance with HKFRS 16 “*Leases*” (“**HKFRS 16**”), and measurements that have some similarities to fair value but are not fair value, such as net realizable value in HKAS 2 “*Inventories*” or value in use in HKAS 36 “*Impairment of Assets*”.

The preparation of the consolidated financial statements in accordance with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies of the Group.

2.2 Changes in accounting policies

(i) *New and amended standards adopted by the Group*

The Group has applied the following new and revised standards and amendments for the first time in the current year:

Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020
Accounting Guideline 5 (revised)	Merger Accounting for Common Control Combinations

The application of the amendments to HKFRSs in the current year had no material impact on the Group’s consolidated financial positions and consolidated performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

(ii) *The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:*

HKFRS 17 and amendments to HKFRS 17	Insurance Contracts and the Related Amendments ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ *Effective for annual periods beginning on or after 1 January 2023.*

² *Effective for annual periods beginning on or after a date to be determined.*

³ *Effective for annual periods beginning on or 1 January 2024.*

The directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. 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-makers that are used to make strategic decision. The Group manages its business by divisions, which are organized 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 and operating segments:

- (i) Trading of metal – Sales of metal in Hong Kong and the PRC Mainland.
- (ii) Money lending services – Provision of money lending services in Hong Kong.
- (iii) Education management services – Provision of education management services in the PRC Mainland.

(a) **Segment results, assets and liabilities**

The segment information provided to the directors of the Company for the reportable segments for the years ended 31 December 2021 and 2022 are as follows:

	For the year ended 31 December 2022			
	Trading of metal <i>HK\$'000</i>	Money lending services <i>HK\$'000</i>	Education management services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment revenue (Note)	34,548	–	13,793	48,341
Reportable segment (loss)/profit	(7,435)	(162)	5,777	(1,820)
Depreciation of property, plant and equipment				(22)
Depreciation of right-of-use assets				(1,583)
Employee costs				(8,839)
Interest expenses				(141)
Fair value changes on other financial asset				50
Other unallocated corporate expenses				(10,540)
Loss before income tax expense				(22,895)
Income tax expense				(269)
Loss for the year				(23,164)
Reportable segment assets	15,297	190	27,507	42,994
Cash and cash equivalents				3,385
Property, plant and equipment				20
Right-of-use assets				1,980
Other unallocated corporate assets				269
Consolidated total assets				48,648
Additions to specified non-current assets	–	–	–	–
Reportable segment liabilities	4,597	191	5,037	9,825
Lease liabilities				2,005
Other unallocated corporate liabilities				13,542
Consolidated total liabilities				25,372

Note: There is no inter-segment revenue for the year.

	For the year ended 31 December 2021			
	Trading of metal <i>HK\$'000</i>	Money lending services <i>HK\$'000</i>	Education management services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment revenue (<i>Note</i>)	9,387	–	4,545	13,932
Reportable segment loss	(3,718)	(174)	(4,683)	(8,575)
Depreciation of property, plant and equipment				(144)
Depreciation of right-of-use assets				(2,110)
Employee costs				(12,124)
Interest expenses				(103)
Other unallocated corporate expenses				(8,443)
Loss before income tax expense				(31,499)
Income tax credit				139
Loss for the year				(31,360)
Reportable segment assets	17,846	283	20,589	38,718
Cash and cash equivalents				6,995
Property, plant and equipment				38
Right-of-use assets				4,320
Other financial assets				1,000
Other unallocated corporate assets				3,943
Consolidated total assets				55,014
Additions to specified non-current assets	–	–	1,180	1,180
Reportable segment liabilities	717	282	486	1,485
Lease liabilities				4,393
Other unallocated corporate liabilities				1,416
Consolidated total liabilities				7,294

Note: There is no inter-segment revenue for the year.

(b) Other segment information

	For the year ended 31 December 2022			
	Trading of metal <i>HK\$'000</i>	Money lending services <i>HK\$'000</i>	Education management services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Change in fair value of commodity inventories	5	–	–	5
Depreciation of property, plant and equipment	(756)	–	(434)	(1,190)
Depreciation of right-of-use assets	(466)	(123)	(220)	(809)
Provision of loss allowance on trade and other receivables	(72)	–	(142)	(214)
Interest expenses	(14)	(6)	(58)	(78)
Share of loss of an associate	(4,787)	–	–	(4,787)
Fair value changes on other financial asset	<u>(220)</u>	<u>–</u>	<u>–</u>	<u>(220)</u>
	For the year ended 31 December 2021			
	Trading of metal <i>HK\$'000</i>	Money lending services <i>HK\$'000</i>	Education management services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Change in fair value of commodity inventories	(21)	–	–	(21)
Depreciation of property, plant and equipment	(768)	–	(281)	(1,049)
Depreciation of right-of-use assets	(516)	(132)	–	(648)
Reversal of provision/(provision) of loss allowance on trade and other receivables	12	–	(212)	(200)
Interest expenses	(24)	(4)	–	(28)
Share of loss of an associate	<u>(378)</u>	<u>–</u>	<u>–</u>	<u>(378)</u>

(c) **Geographical information**

The Company is an investment holding company incorporated in Hong Kong and the principal place of the Group's operations is Hong Kong. Accordingly, the management determines that the Group is domiciled in Hong Kong.

The Group's revenue from customers and information about its specified non-current assets, comprising property, plant and equipment, interest in an associate and right-of-use assets, by geographical location are detailed below:

	Revenue from customers*	
	2022 HK\$'000	2021 HK\$'000
Hong Kong	12,386	9,387
PRC Mainland	35,955	4,545
	<u>48,341</u>	<u>13,932</u>

* Based on location of customers.

	Specified non-current assets	
	2022 HK\$'000	2021 HK\$'000
Hong Kong	5,348	13,809
PRC Mainland	5,155	1,654
	<u>10,503</u>	<u>15,463</u>

(d) **Disaggregation of revenue**

Primary geographical markets	For the year ended 31 December 2022			
	Trading of metal HK\$'000	Money lending services HK\$'000	Education management services HK\$'000	Total HK\$'000
Hong Kong	12,386	–	–	12,386
PRC Mainland	22,162	–	13,793	35,955
	<u>34,548</u>	<u>–</u>	<u>13,793</u>	<u>48,341</u>

	For the year ended 31 December 2021			
	Trading of	Money	Education	Total
	metal	lending	management	
	services	services	services	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Primary geographical markets				
Hong Kong	9,387	–	–	9,387
PRC Mainland	–	–	4,545	4,545
	<u>9,387</u>	<u>–</u>	<u>4,545</u>	<u>13,932</u>

(e) **Disaggregation of revenue from contracts with customers**

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
By timing of revenue recognition:		
Control transferred over time	13,793	4,545
Control transferred at a point in time	34,548	9,387
	<u>48,341</u>	<u>13,932</u>

(f) **Information about major customers**

Revenue from major customers, each of them accounted for 10% or more of the Group's revenue and is reported under the segment of trading of metal and education management services, are set out below:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A ¹	12,386	9,387
Customer B ²	N/A	1,641
Customer C ¹	9,681	N/A
Customer D ¹	9,585	N/A
	<u>31,652</u>	<u>11,028</u>

¹ Revenue from trading of metal

² Revenue from education management services

N/A: Not applicable as the revenue generated by the customer is less than 10% of the Group's revenue.

4. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on borrowings	67	39
Interest on lease liabilities	152	92
	<u>219</u>	<u>131</u>

5. LOSS BEFORE INCOME TAX EXPENSE

Loss before income tax expense is arrived at after charging/(crediting):

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Auditors' remuneration	600	600
Exchange losses/(gains) – net	645	(85)
Lease payments not included in the measurement of lease liabilities	1,435	1,399
	<u>1,435</u>	<u>1,399</u>

6. INCOME TAX EXPENSE/(CREDIT)

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax:		
Charge for the year	75	4
Deferred tax:		
Charge/(credit) for the year	194	(143)
Income tax expense/(credit)	<u>269</u>	<u>(139)</u>

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operates.

Pursuant to the rules and regulations of the British Virgin Islands (“BVI”), the Group is not subject to any income tax in the BVI.

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for the year ended 31 December 2022 (2021: 16.5%).

Under the law of the PRC Mainland on Enterprise Income Tax (the “**EIT Law**”) and Interpretation Regulation of the EIT Laws, the tax rate of the PRC Mainland subsidiaries is 25% for the year ended 31 December 2022 (2021: 25%).

The income tax expense/(credit) can be reconciled to the loss before income tax expense per the consolidated statement of profit or loss and other comprehensive income as follows:

	2022	2021
	HK\$'000	HK\$'000
Loss before income tax expense	<u>(22,895)</u>	<u>(31,499)</u>
Tax calculated at domestic tax rate of 16.5% (2021: 16.5%)	(3,778)	(5,197)
Effect of different tax rate of subsidiaries operating in other jurisdictions	111	(399)
Tax effect of income not taxable for tax purposes	(49)	(77)
Tax effect of expenses not deductible for tax purposes	4,099	3,556
Tax effect of tax losses not recognized	621	1,984
Tax effect of other temporary differences not recognized	191	137
Utilization of previous unrecognized tax losses	(1,120)	–
Accrual/(reversal) of withholding tax liabilities	<u>194</u>	<u>(143)</u>
Income tax expense/(credit) for the year	<u>269</u>	<u>(139)</u>

As at 31 December 2022, the Group had estimated unused tax losses of approximately HK\$49,295,000 (2021: approximately HK\$45,786,000) which are available for offset against future profits. No deferred tax asset has been recognized in respect of the estimated tax losses due to unpredictability of future profit streams. Tax losses amounted to approximately HK\$44,526,000 (2021: approximately HK\$40,840,000) may be carried forward indefinitely and approximately RMB253,000 (equivalent to approximately HK\$285,000) (2021: approximately RMB4,095,000 (equivalent to approximately HK\$4,946,000)) will expire in five years.

Under the EIT Law of the PRC Mainland, withholding tax at 10% is imposed on dividends declared to its immediate holding company outside of the PRC Mainland in respect of the profits earned by the PRC Mainland subsidiary from 1 January 2008 and onwards. A lower 5% withholding tax rate may be applied when the immediate holding company is established in Hong Kong according to the tax treaty arrangement between the PRC Mainland and Hong Kong.

7. LOSS PER SHARE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss		
Loss attributable to owners of the Company	<u>(22,074)</u>	<u>(29,159)</u>
	2022	2021
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share (<i>in thousand</i>)	<u>829,404</u>	<u>742,298</u>

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

8. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	10,618	3,088
<i>Less: provision for loss allowance</i>	<u>(372)</u>	<u>(166)</u>
Trade receivables – net (<i>Note (a)</i>)	10,246	2,922
Loan interest receivable	893	893
<i>Less: provision for loss allowance</i>	<u>(893)</u>	<u>(893)</u>
Loan interest receivable – net (<i>Note (b)</i>)	–	–
Other receivables and deposits	19,273	9,940
<i>Less: provision for loss allowance</i>	<u>(208)</u>	<u>(239)</u>
Other receivables and deposits – net	19,065	9,701
Prepayments	<u>113</u>	<u>292</u>
	<u>29,424</u>	<u>12,915</u>

(a) Trade receivables

The credit period granted to customers are 1 month — 3 months generally.

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

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	8,388	578
31 – 90 days	922	–
91 – 180 days	426	543
Over 180 days	510	1,801
	<hr/> 10,246 <hr/>	<hr/> 2,922 <hr/>

(b) Loan interest receivable

The Group's loan interest receivable arises from the money lending business of providing personal loans in Hong Kong. The loan interest receivable was secured by collateral provided by personal guarantee and a property located in Hong Kong. Further details of the loan are set out in Note 9.

As at 31 December 2022, the total carrying amount of loan interest receivable is overdue by more than 3 years and the total carrying amount of loan interest receivable is determined to be credit-impaired after considering the overdue aging analysis and other qualitative factors.

9. LOAN RECEIVABLE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loan receivable	7,589	7,589
<i>Less: provision for loss allowance</i>	<u>(7,589)</u>	<u>(7,589)</u>
Loan receivable – net	<u>–</u>	<u>–</u>

The Group's loan receivable arises from the money lending business of providing personal loans in Hong Kong, with interest bearing at 8% per annum and denominated in HK\$. The loan receivable was secured by personal guarantee and a property located in Hong Kong and the Company is as the third mortgagee of the secured property.

As at 31 December 2022, the total carrying amount of loan receivable is overdue by more than 3 years and the total carrying amount of loan receivable is determined to be credit-impaired after considering the overdue aging analysis and other qualitative factors.

10. OTHER PAYABLES AND ACCRUALS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Other payables and accruals	<u>2,204</u>	<u>2,033</u>

11. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2022, nor has any dividend been proposed since the end of the reporting period (2021: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE STRATEGY AND BUSINESS MODEL

Metal Business

The Group has been engaged in metal business in Hong Kong since 2010 which has been the Group's principal business since then. The Group used to derive revenue from the sales of metals, comprising silver, gold and tin, of which processed silver product was the Group's then principal product. However, since 2017, the metal business has been operating under challenging business environment caused by various external factors such as rigorous fluctuations in silver prices, Sino-US trade disputes, international economic downturn and tightening up of export of silver scraps from the mainland of the People's Republic of China (the "**PRC Mainland**") to Hong Kong. The COVID-19 pandemic in Hong Kong and the PRC Mainland seriously affected the import and export industry as well as logistic business in general, which enhanced the settlement risks significantly. In view of the challenging business environment of the metal business, the Company has taken immediate steps to radially switch its business focus from processing and sales of processed silver to becoming a supply chain integrator within the metal industry. The Group also taps into the business of gold trading in Hong Kong. Nevertheless, the Group has maintained its silver melting and processing facilities in Hong Kong and retained three core technicians such that the Group would be able to resume its silver processing operations as and when opportunities arise.

Being a supply chain integrator, the Group connects metal manufacturing enterprises in the PRC Mainland with downstream wholesalers and retailers of metal products whereby the Group provides its customers with one-stop integrated services to its customers by selecting suppliers with the best available terms (including product specification, pricing, payment, delivery terms, etc.). Benefiting from the Group's one-stop services cover procurement, insurance, logistics, trade and customs declaration and market intelligence etc. aspects, the Group's customers are able to simplify their procurement procedures, lower their overall procurement costs and focus on the sales activities. During the year ended 31 December 2022 (the "**Current Year**" or "**2022**"), the Group mainly derives revenue from acting as a supply chain integrator within the metal industry and provides supply-chain support for its customers which are based in the PRC Mainland.

Education Management Services Business

To further diversify the income stream of the Group, the Group successfully introduced the education management services business in the PRC Mainland in 2019. The Group's education management services business mainly involves the provision of comprehensive education management services (including but not limited to, recommend of experienced teachers/instructors, help recruitment of students, designing structure and content of course curriculum, formulation of promotional and marketing activities, designing course promotion materials, recommending teaching materials and textbooks for its customers) to various education institutions (including kindergartens, arts and physical education or well-rounded education (素質教育) providers, nature experience education (自然體驗教育) provider and distributor of educational textbooks and books) in Chengdu, Sichuan Province, the PRC Mainland so as to enhance the service quality and operation effectiveness of its customers. In return, the Group receives a management fee calculated with reference to the total revenue of the respective education institution.

BUSINESS REVIEW

For the Current Year, the Group's principal activities were broadly divided into the trading of metal and metal supply chain business in Hong Kong and the PRC Mainland, provision of education management services in the PRC Mainland and provision of money lending services in Hong Kong.

Trading of metal

In the Current Year, global economy development was still subject to complex and grim negative expectations due to the combined impact of continued inflation and interest rate hikes in major economies, geopolitical conflicts and the ongoing pandemic.

Since the outbreak of the pandemic in 2020, international logistics costs and uncertainty risks have been escalating due to the pandemic prevention and control measures in various countries, together with the three-year "border closure" between Hong Kong and the PRC Mainland. At the same time, factors such as insufficient supply, shrinking demand and decline in business gross profit margin have severely impacted the Group's trading of metal business.

Nevertheless, the Group insisted on active response and comprehensive layout. In September 2021, the Group took the opportunity of the "Sichuan-Hong Kong Summit" to further expand the domestic metal industry supply chain and other businesses. In March 2022, the Group successfully entered into a strategic cooperation agreement with Chengdu Zhonghuan Fulin Trading Co., Ltd.* (成都中環福霖商貿有限公司) ("**Zhonghuan Fulin**"), an independent third party headquartered in Sichuan Province, China, and further entered into a supplemental agreement (the "**Supplemental Agreement**") in May 2022. Pursuant to the Supplemental Agreement, Sichuan Loco Metal Technology Limited ("**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 steel, metal components and steel fastener materials. Zhonghuan Fulin is one of the largest supply chain units of hardware and electromechanical standard parts in Sichuan Province, and also a national hardware and electromechanical information collection unit in China. It has over 1,000 end customers, mainly including many large state-owned transportation infrastructure central enterprises, state-owned enterprises and manufacturing enterprises such as Sichuan Deyang Erzhong Heavy Equipment Company* (四川德陽二重重型裝備公司), Deyang Dongdian Group* (德陽東電集團), Chengdu Railway Bureau* (成都鐵路局), Chengdu Tianma Railway Bearing Co., Ltd.* (成都天馬鐵路軸承有限公司), FAW-Volkswagen Chengdu Factory* (一汽大眾成都工廠), Hunan Hongtai Power Construction Co., Ltd.* (湖南鴻泰電力建設有限公司), etc.

* English name for identification purpose only

During the Current Year, the pandemic in the PRC Mainland continued to be characterized by sporadic, widespread and frequent outbreaks. In March 2022, the outbreak of the pandemic in Shanghai caused temporary suspension or interruption of the logistics, production and supply chain of Shanghai and its surrounding core areas in the Yangtze River Delta. Until the pandemic was initially under control in June and July 2022, the production of factories gradually resumed, and the supply chain and industry chain also gradually recovered. The Group seized the opportunity to successfully complete the delivery and performance of several orders and contracts with Zhonghuan Fulin, laying a good foundation of mutual trust for subsequent business development. While the Group was planning to accelerate the development of its metal business in the PRC Mainland, in August 2022, Sichuan Province, the principal location of the Group's metal business in the PRC Mainland, experienced power blackouts caused by rare and continuous high temperature and drought, forcing many production and manufacturing industries to shut down. Earthquakes of great magnitude struck near Chengdu, Sichuan in September 2022, and local production and logistics in Chengdu were again interrupted due to the ongoing "city-wide static management" ("**lockdown management**") triggered by the pandemic, until the gradual discharge of the lockdown management in Chengdu in the end of September 2022. The unexpected and extreme environmental climate and the resurgence of COVID-19 had a significant impact on the normal operation of this business segment.

Despite the impact of many of the above uncontrollable factors, the Group has actively taken various measures to respond. In the Current Year, the Group has sold nearly 1,481 tonnes of metal products to Zhonghuan Fulin under the agreement. In addition to Zhonghuan Fulin, in the fourth quarter of 2022, the Group further expanded its customer base and started to provide metal supply chain services to three new Chinese customers. These three new customers have contributed revenue of approximately RMB10.79 million (approximately HK\$12.58 million) in the fourth quarter of 2022. These three new customers include two in Sichuan and one in Yunnan, who have been serving metal parts manufacturers and suppliers of the provincial-owned and state-owned enterprises such as China Railway Construction Group Corporation (中國鐵道建築集團有限公司), China Telecommunications Corporation (中國電信集團有限公司) and Kunming Rail Transit (昆明軌道交通). The products involved in the trade are widely used in infrastructure projects such as high-speed rail, subway and large-scale transmission lines, which are products with rigid demand in the infrastructure industry.

In the Current Year, the Group continued to expand the metal industry supply chain business in the PRC Mainland market. As a metal supply chain integrator, the Group provides customers with one-stop integrated services covering procurement, insurance, logistics, trade, customs declaration and market information. The Group business model can create maximum value and effectively reduce costs for customers, and has good potential for sustainable development.

As of 2022, the overall revenue of the Group's trading of metal business improved significantly year-on-year, showing a good recovery trend. Revenue from this business segment was approximately HK\$34.55 million for the Current Year (2021: HK\$9.39 million) and, in particular, the revenue of the metal business in the fourth quarter of 2022 amounted to approximately HK\$18.32 million. The significant increase in revenue from the metal business underlined the Group's efforts to further develop the metal business and the sustainability of the business model. The Group is confident to further improve and expand its metal business in line with the general environment of the resumption of normal travel between the PRC Mainland and Hong Kong, optimisation of pandemic control and focus on economic development in the PRC Mainland.

Education management services

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

Since the introduction of the education management services business by the Group in 2019, it has achieved profit in the year of introduction. In 2020, the education management services business was also severely affected by the outbreak of the pandemic. In 2021, the government's new policies on the rectification and reform of education and the “Double Reduction Opinions” issued by the General Office of the CPC Central Committee and the General Office of the State Council have a huge impact on the domestic education industry. In response to the new policy of national education reform, the Group timely adjusted its business strategy and shifted its business focus to the fields of art and sports education, humanities education and well-rounded education encouraged by the national education policy. The latest business strategy has achieved initial results in 2022. The Group has signed up a number of customers in the above-mentioned education fields and achieved good performance returns. According to the notice in relation to the orderly resumption of primary and secondary schools (kindergartens) issued by the Education Bureau in Chengdu on 19 September 2022, the education management services business started to recover in the fourth quarter of 2022 and achieved revenue of approximately HK\$8.51 million during the fourth quarter of the year.

In the Current Year, Loco Yahui engaged by a new customer in Chengdu providing well-rounded education and entered into an education management service agreement with the customer. The customer is a humanistic well-rounded education institution providing natural experience education for primary and secondary school students. (For details, please refer to the voluntary announcement of the Company dated 7 June 2022). In the Current Year, Loco Yahui also entered into a management service agreement with a distributor of educational textbooks and books in the PRC Mainland to assist the customer in effectively improving the resource utilisation and maintenance of the educational books market and exploring educational books distribution market. Recently, the number of customers of the Group's education management services business has reached 8, covering kindergartens, education institutions engaged in art, music, sports, science and technology, outdoor and other aspects, as well as education institutions focusing on humanistic well-rounded education and educational textbooks and books distributor.

* *English name for identification purpose only*

The business development direction encouraged by the policies, rich education management resources, diversified customer portfolio and good cooperation with customers enable the Group to have unique and sustainable competitive advantages, which will help to continuously attract more potential customers. At the same time, given that the PRC Mainland has gradually lifted the pandemic control, schools and various educational institutions are not expected to be required to suspend classes again, and extracurricular activities and humanistic and well-rounded and after-school training for students not affected by policies will also return to normal. The customer base of the Group's education management services will increase enrolment and types of courses, thereby increasing tuition income, which will increase the revenue of the Group's education management services business.

This will effectively contribute to the development and revenue of the Group's education management services business. The Group will continue to pay close attention to policy trends and regulatory environment, and further optimise and adjust its business model and related arrangements in response to changes in national education policies.

This business segment contributed revenue of approximately HK\$13.79 million (2021: approximately HK\$4.55 million) to the Group during the Current Year.

Provision of money lending services

As of 2022, global economic and social development continued to face complex and severe challenges due to a range of uncertainties, including the geopolitical conflict between Russia and Ukraine, high global inflation and continued interest rate hikes. Similarly, the market conditions in the PRC Mainland were also affected. Therefore, the Group believed that the credit risk in its 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 still adopted 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 Year (2021: Nil).

OUTLOOK

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

The Group expects that the metal business will benefit from the orderly resumption of domestic economic production, and the demand for commodity orders in the domestic metal market is expected to further increase, and the Group are endeavoring to discuss cooperation plan(s) with potential customers, so as to further expand the customer base of its metal business. In respect of the education management services business, with the optimisation of domestic pandemic prevention policies, education teaching and students' extracurricular courses will also return to normal, which will help the Group's education management services business to continue to recover and develop steadily. At the same time, the Group will continue to pay close attention to policy trends and regulatory environment, and further optimise and adjust in response to changes in national education policies in a timely manner. In addition, the Group has gained publicity in the education markets in Chengdu, and its team is actively expanding customer bases of education management services business. The Group will keep abreast of the changes and opportunities in the international and domestic environment, continue to adhere to the strategy of actively restoring and continuously expanding its core businesses, and further develop our metal business and education management services business. All in all, the Group will strive to seek development in the balance of risk control in its existing business model.

Financial Review

For the year ended 31 December 2022, the Group had a total revenue of approximately HK\$48.3 million (2021: approximately HK\$13.9 million), representing an increase of approximately 247% as compared with 2021. The Group recorded loss of approximately HK\$23.2 million (2021: approximately HK\$31.4 million) for the year ended 31 December 2022, representing a decrease of approximately 26% as compared to 2021. The decrease in loss was mainly attributable to net effect of:

- (a) an increase in the Group's total revenue of approximately HK\$34.4 million as discussed in above;
- (b) the carrying value of inventories sold was recognized approximately HK\$34.1 million (2021: approximately HK\$9.4 million);
- (c) fair value changes on investment in unlisted equity securities was recognized approximately HK\$0.17 million (2021: no fair value changes on investment in unlisted equity securities was recognized);
- (d) an increase in share of loss of an associate of approximately HK\$4.4 million;
- (e) a decrease in employee costs of approximately HK\$5.3 million; and
- (f) an increase in other operating expenses of approximately HK\$2.6 million.

For the year ended 31 December 2022, the Group's loss attributable to owners of the Company was approximately HK\$22.1 million, as compared to the loss attributable to owners of the Company of approximately HK\$29.2 million for 2021.

Capital Structure, Liquidity and Financial Resources

As at 31 December 2022, the Group had cash and bank balances of approximately HK\$4.2 million (2021: approximately HK\$20.9 million) and net current assets of approximately HK\$13.3 million (2021: approximately HK\$29.4 million). As at 31 December 2022, the current ratio stood at 1.65 times (2021: 7.24 times).

The Group generally finances its operations primarily with internally generated cash and borrowings. The decrease in cash and bank balances of approximately HK\$16.7 million is mainly attributable to the loss for the year and increase in the trade and other receivables, netting off by the proceeds from borrowings.

As at 31 December 2022, the Group had outstanding borrowings of approximately HK\$12.1 million (2021: Nil). The borrowings represent loans denominated in HK\$ from shareholders bearing interest at 2.5% per annum which are unsecured and repayable within one year.

As at 31 December 2022, no banking facilities were granted to the Group (2021: Nil). The Directors believed that the Group has adequate financial resources to fulfill its commitments and working capital requirements.

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies, and Plan for Material Investments or Capital Assets

On 31 May 2022, the Company (the “**Purchaser**”) (as the purchaser) and Mr. Hon Hang (“**Mr. Hon**”) (as the vendor) entered into the sale and purchase agreement, pursuant to which Mr. Hon agreed to sell, and the Company agreed to purchase, 4,300 shares of True Time International Investments Limited (“**True Time**”) (representing 43% equity interests in True Time), at the consideration of USD1 in cash (the “**Acquisition**”). Upon completion of the Acquisition, True Time becomes a wholly-owned subsidiary of the Company. For details of the Acquisition, please refer to the announcement of the Company dated 31 May 2022.

As at 31 December 2022, the Group recorded financial assets measured at fair value through profit or loss of approximately HK\$4.28 million (2021: approximately HK\$5.5 million).

Save as disclosed herein, there was no other significant investment held, material acquisition and disposal of subsidiaries and affiliated companies by the Company during the year ended 31 December 2022. There was no other plan for material investments or capital assets as at 31 December 2022.

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 31 December 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	12,918
Utilized amount of proceeds during the year:	
– General working capital	(11,784)
– Metal business	(1,134)
	<hr/>
Unutilized amount of proceeds as at 31 December 2022	–
	<hr/> <hr/>

Employees and Remuneration Policy

As at 31 December 2022, the Group employed a total of 24 staff (2021: 30 staff). The total employee costs, including remuneration of the Directors, for the year ended 31 December 2022 amounted to approximately HK\$13.2 million (2021: approximately HK\$18.5 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 on the financial performance of the Group.

Charge on the Group's Assets

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

Gearing Ratio

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

As at 31 December 2022, the gearing ratio was 38.4% (2021: no gearing ratio was presented as the Group has net cash surplus).

Contingent Liabilities

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

Treasury Policy

The Directors will continue to follow a prudent policy in managing the Group's bank balances and maintain strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities.

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.

Capital Commitment and Capital Expenditure

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

Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

Events after the Reporting Period

The Company has received a letter from the Stock Exchange notifying the Company that the Listing Division of the Stock Exchange has decided that the Company has failed to maintain a sufficient level of operations and assets required under Rule 17.26 of the GEM Listing Rules to warrant the continued listing of its shares, and that trading in the Company's shares shall be suspended on 9 November 2022 under Rule 9.04(3) of the GEM Listing Rules (the "**Decision**") unless the Company applies for a review of the Decision. The Company has submitted a written request to the Stock Exchange for the Decision to be referred to the GEM Listing Committee for review pursuant to Chapter 4 of the GEM Listing Rules. Accordingly, trading in the shares of the Company has continued. Please refer to the Company's announcements dated 31 October 2022 and 8 November 2022 for details.

The review hearing of the Decision by the GEM Listing Committee was held on 31 January 2023. On 10 February 2023, the Company received a letter dated 10 February 2023 from the GEM Listing Committee, notifying the Company that, having considered all the submissions (both written and oral) made by the Company and the Listing Division of the Stock Exchange, the GEM Listing Committee was of the view that the Company failed to maintain a sufficient level of operations and assets to meet Rule 17.26 of the GEM Listing Rules to warrant the continued listing of its shares. The GEM Listing Committee therefore decided to uphold the Decision to suspend trading in the Company's shares under Rule 9.04(3) of the GEM Listing Rules (the "**LC's Decision**").

The Company has submitted a written request to the Stock Exchange on 21 February 2023 for the LC's Decision to be referred to the GEM Listing Review Committee for a further and final review under Chapter 4 of the GEM Listing Rules. Accordingly, trading in the shares of the Company has continued. Please refer to the Company's announcements dated 12 February 2023 and 21 February 2023 for details.

Save as disclosed above, there were no significant events after the reporting period of the Group.

SCOPE OF WORK OF AUDITORS

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2022 as set out in this announcement have been agreed by the Company's auditors, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by HLB Hodgson Impey Cheng Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB Hodgson Impey Cheng Limited on this announcement.

DISCLOSURE UNDER SECTION 436 OF THE HONG KONG COMPANIES ORDINANCE

The financial information of the Group relating to the year ended 31 December 2021 included in this preliminary announcement of annual results for the year ended 31 December 2022 do 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 as required by 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 of the Group for the year ended 31 December 2021. The auditors' report was unqualified; did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

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

During the year under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2022, to the best knowledge of the Board, the Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules (the "**Code Provision(s)**"), save for the deviation from the Code Provision C.2.1 as explained below.

Code Provision C.2.1 stipulates that the roles of chairman and chief executive officer should be separated. 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 of the Company as a whole.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions carried out by Directors, that is not laxer than relevant standards of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries to all Directors, they confirmed they have complied with the standards of dealings and the code of conduct regarding securities transactions carried out by Directors, adopted by the Company throughout the year ended 31 December 2022.

AUDIT COMMITTEE AND REVIEW OF ACCOUNTS

The Company established the audit committee (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 the Code Provision D.3.3. 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 the 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 3 independent non-executive Directors, namely Mr. Zhou Tianshu, Ms. Wu Liyan and Ms. Wong Susan Chui San and Mr. Zhou Tianshu is the chairman of the Audit Committee.

The Audit Committee has reviewed the annual results and the audited consolidated financial statements of the Group for the year ended 31 December 2022.

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

Hong Kong, 24 March 2023

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