

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



Loco Hong Kong Holdings Limited
港銀控股有限公司
(incorporated in Hong Kong with limited liability)
(Stock Code: 8162)

**DECISION OF THE GEM LISTING REVIEW COMMITTEE
AND
SUSPENSION OF TRADING**

This announcement is made by Loco Hong Kong Holdings Limited (the “**Company**”) pursuant to Rule 17.10 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) and the Inside Information Provisions (as defined under the GEM Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the announcements of the Company dated 31 October 2022, 8 November 2022, 12 February 2023 and 21 February 2023 (collectively, the “**Announcements**”). Unless otherwise specified, capitalized terms used in this announcement shall have the same meaning as those defined in the Announcements.

The Board wishes to inform the Shareholders and potential investors of the Company that the review hearing (the “**Hearing**”) of the LC’s Decision by the GEM Listing Review Committee (the “**LRC**”) took place on 5 May 2023. On 15 May 2023, the Company received a letter from the LRC which notifies the Company that the LRC was of the view that the Company had failed to demonstrate that it carried out a business with a sufficient level of operations and assets of sufficient value to support its operations to warrant the continued listing of its securities for the purposes of Rule 17.26 of the GEM Listing Rules. The LRC noted that the Company would have 12 months to remedy this situation by bringing its plans and forecasts to fruition and demonstrating its compliance with Rule 17.26 of the GEM Listing Rules. The LRC therefore decided to uphold the LC’s Decision to suspend trading in the Company’s shares under Rule 9.04(3) of the GEM Listing Rules (the “**LRC’s Decision**”).

Set out below is a summary of the views of the LRC:

1. The LRC noted that the main issue was whether at the time of the Hearing, the Company had demonstrated to the LRC's satisfaction that the Company carried out its business with a sufficient level of operations and assets of sufficient value to support its operations so as to warrant the continued listing of the Company's shares under Rule 17.26 of the GEM Listing Rules.
2. The LRC observed that the Note to Rule 17.26 of the GEM Listing Rules indicates that the assessment of compliance with Rule 17.26 of the GEM Listing Rules is a qualitative test and that the LRC should make its assessment in this matter based on the specific facts and circumstances faced by the Company.
3. Having taken into account the submissions from the review parties and considered the latest financial results from the Company, including those for the first quarter of the financial year ending 31 December 2023 ("FY2023"), the LRC found that the Company had failed to demonstrate that it operated a business that was of substance and/or viable and sustainable.
4. For the Company's Metal Business, the LRC noted that:
 - (i) The Company had changed the operation of the Metal Business to a back-to-back trading/supply chain business: the Metal Business used to be a sale of finished silver products made of silver scraps processed in the Company's melting facilities but this was subsequently changed to a back-to-back trading business and supply chain service provider;
 - (ii) This change of the Metal Business coincided with a substantial decrease in operating revenue;
 - (iii) Since this change in operation, the Company only added limited value to the goods and products it traded and the profit margin of the Metal Business was very thin;
 - (iv) In fact, even for the first quarter of FY2023, where the Company recorded a strong increase in revenue to HK\$111 million for the Metal Business with thin gross profit margin;
 - (v) While the LRC noted the Company's submission that it would attempt to increase the profit margin for its Metal Business once its business had become more stable with its customers, the LRC noted that there remained a risk that if the Company did so, it would lose its competitive edge – in any event, the Company had not provided sufficient evidence to show when it would be in a position to achieve better profit margins for its Metal Business;
 - (vi) The Metal Business had only five customers and for the first quarter of FY2023, a majority of the Metal Business' revenue was generated by one new customer;

- (vii) At the same time, while during the first quarter of FY2023 orders from this new customer had increased the revenue of the Metal Business significantly, the orders from the other four customers of the Metal Business had decreased in the first quarter of FY2023 when comparing with the fourth quarter of the financial year ended 31 December 2022 (“FY2022”);
 - (viii) This suggested that the increase in revenue for the Metal Business was overly reliant on one single customer;
 - (ix) It was therefore unclear whether the increase in revenue for the Metal Business was sustainable and could generate significant income and profits for the Company going forward, since the Company was unable to confirm that the new customer had placed further orders with the Company – to that extent, the LRC also noted that the first quarter revenue was mainly generated from the new customer;
 - (x) The estimated revenue for April of FY2023 which the Company confirmed at the Hearing further suggesting that the significant increase in revenue for the Metal Business might not be sustainable;
 - (xi) The Company submitted that it was committed to expand the Metal Business with its existing customers and provided the confirmed orders for the rest of FY2023;
 - (xii) Finally, while the Company submitted at the Hearing that it had exceeded its revenue forecast for FY2023 in the first quarter already based on the large revenue generated from the new customer for the Metal Business, it was unclear whether the Company would be able to maintain the increase in revenue for the duration of FY2023 to support its operations.
5. On balance, the LRC found that the Company had not demonstrated that its Metal Business was viable, sustainable and of substance.
6. For the Company’s Education Management Services Business, the LRC noted that:
- (i) This Education Management Services Business had only commenced recently, with a limited number of eleven staff members and a heavy reliance on (a) one of its staff for customer acquisition, and, (b) external consultants – it was therefore unclear whether the Company had sufficient expertise in operating this business;
 - (ii) To that extent, the Education Management Services Business appeared to be overly reliant on one senior management member;

- (iii) For the provision of services, the Education Management Services Business relied on external consultants assisting the Company, the Company did not, however, according to the Listing Division, provide details of any arrangement, contractual or otherwise, for securing the services or assistance from the external consultants and the cost implication to the Company;
 - (iv) The reliance on one senior management member and the external consultants raised questions as to the sustainability of the Education Management Services Business as any material change in the Company's relation with such senior management member and/or the consultants could lead to a material impact on the Education Management Services Business;
 - (v) It was therefore unclear whether the Education Management Services Business was sustainable, including the high profit margins for the Education Management Services Business;
 - (vi) Even if the Company would succeed in maintaining the revenue figures that the Education Management Services Business achieved for the fourth quarter of FY2022 and for the first quarter of FY2023 (and the requisite profit margin), the Company's forecasted revenue for FY2023 was not substantial, and, based on the long history of the Company incurring losses, revenue generated by the Education Management Services Business might in any event not be sufficient to offset the Company's operating expenses.
7. On balance, the LRC found that the Company had not demonstrated that its Education Management Services Business was viable, sustainable and of substance.
8. In summary, while the LRC noted the increase in revenue for the first quarter of FY2023, it did not consider this increase was sufficient to demonstrate that the Company had a viable, sustainable business that was of substance. This increase had so far been temporary only. It was therefore unclear whether such increase was sustainable. Even if the Company would be able to maintain such revenue, the LRC noted that the profit margin for the Metal Business remained very thin. The profit that the Company had been able to generate in the first quarter of FY2023 was very small despite the substantial increase in revenue. It was therefore unclear whether the Company would be able to generate profits on a sustainable basis, given it had been loss-making since the financial year ended 31 December 2017 prior to the first quarter of FY2023.
9. As the Company had incurred losses for a prolonged period of time up to the first quarter of FY2023, the LRC was also not convinced that the Company's net asset position of approximately HK\$23.3 million as at 31 March 2023 was sufficient to support its operations going forward.

10. The LRC considered overall that at the time of the Hearing, the Company had failed to demonstrate that it carried out a business with a sufficient level of operations and assets of sufficient value to support its operations to warrant the continued listing of its securities for the purposes of Rule 17.26 of the GEM Listing Rules. The LRC noted that the Company would have 12 months to remedy this situation by bringing its plans and forecasts to fruition and demonstrating its compliance with Rule 17.26 of the GEM Listing Rules.
11. The LRC therefore decided to uphold the LC's Decision to suspend the Shares under Rule 9.04(3) of the GEM Listing Rules on the ground that the Company has failed to comply with Rule 17.26 of the GEM Listing Rules.

SUSPENSION OF TRADING

At the request of the Company, trading in the Shares will be suspended with effect from 9:00 a.m. on Tuesday, 16 May 2023.

Further announcement(s) will be made by the Company to update the Shareholders on the progress of the resumption as and when appropriate and in accordance with the requirements of the GEM Listing Rules.

Shareholders who have any queries about the implication of the LRC's Decision are advised to obtain appropriate professional advice.

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

Hong Kong, 16 May 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.

*This announcement, for which the Directors 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 of Hong Kong Limited (the "**Stock Exchange**") 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 Announcements" page of the Stock Exchange's website at www.hkexnews.hk for at least 7 days from the date of its publication and will be available on the Company's website at www.locohkholdings.com.