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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 2023

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

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

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

*This announcement, for which the directors (the “**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 for at least seven days from the date of its posting and will be available on the Company’s website at www.locohkholdings.com.

The board of Directors (the “**Board**”) of the Company presents the unaudited condensed consolidated interim financial statements of the Group for the three months and six months ended 30 June 2023, together with the comparative unaudited figures for the corresponding periods in 2022, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Unaudited			
		Six months ended		Three months ended	
		30 June		30 June	
		2023	2022	2023	2022
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue					
– Sales of metal		125,700	10,311	14,584	6,043
– Education management services		14,564	1,824	6,369	1,378
		140,264	12,135	20,953	7,421
Trading gains on commodity forward contracts		–	40	–	40
Other income		21	380	8	344
		140,285	12,555	20,961	7,805
Carrying value of inventories sold		(125,132)	(10,322)	(14,263)	(6,061)
Change in fair value of commodity inventory		(6)	(17)	(8)	(26)
Depreciation of property, plant and equipment		(341)	(616)	(106)	(306)
Depreciation of right-of-use assets		(1,320)	(1,262)	(661)	(618)
Employee costs		(5,128)	(7,025)	(2,515)	(3,381)
Fair value changes on other financial asset		–	50	–	–
Other operating expenses		(4,688)	(7,915)	(2,807)	(3,400)
(Provision)/reversal of provision of loss allowance on trade and other receivable		(204)	(32)	(250)	36
Rental expenses		(692)	(725)	(393)	(346)
Share of (loss)/profit of an associate		(30)	(1,866)	3	(1,406)
Finance costs	5	(393)	(55)	(174)	(26)
Profit/(loss) before income tax expense		2,351	(17,230)	(213)	(7,729)
Income tax expense	6	(2,926)	–	(1,234)	–

		Unaudited			
		Six months ended		Three months ended	
		30 June		30 June	
		2023	2022	2023	2022
Notes		HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Loss for the period	<u>(575)</u>	<u>(17,230)</u>	<u>(1,447)</u>	<u>(7,729)</u>
	Loss for the period attributable to:				
	– Owners of the Company	(575)	(16,190)	(1,447)	(7,729)
	– Non-controlling interests	–	(1,040)	–	–
		<u>(575)</u>	<u>(17,230)</u>	<u>(1,447)</u>	<u>(7,729)</u>
	Loss for the period	(575)	(17,230)	(1,447)	(7,729)
	Other comprehensive loss				
	Item that may be reclassified subsequently to profit or loss:				
	Exchange differences on translating foreign operations	<u>(1,197)</u>	<u>(488)</u>	<u>(1,467)</u>	<u>(572)</u>
	Total comprehensive loss for the period	<u>(1,772)</u>	<u>(17,718)</u>	<u>(2,914)</u>	<u>(8,301)</u>
	Total comprehensive loss for the period attributable to:				
	– Owners of the Company	(1,772)	(16,714)	(2,914)	(8,301)
	– Non-controlling interests	–	(1,004)	–	–
		<u>(1,772)</u>	<u>(17,718)</u>	<u>(2,914)</u>	<u>(8,301)</u>
		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
	Basic and diluted loss per share	<u>(0.07)</u>	<u>(1.95)</u>	<u>(0.17)</u>	<u>(0.93)</u>

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited 30 June 2023 <i>HK\$'000</i>	Audited 31 December 2022 <i>HK\$'000</i>
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		887	1,249
Right-of-use assets		5,859	6,338
Interest in an associate		2,886	2,916
Other financial assets	9	4,280	4,280
		13,912	14,783
Current assets			
Inventories		255	261
Trade and other receivables and prepayments	10	29,956	29,424
Loan receivable		–	–
Cash and cash equivalents		6,887	4,180
		37,098	33,865
Current liabilities			
Other payables and accruals		2,125	2,204
Borrowings		19,550	12,050
Contract liabilities		–	4,215
Tax payable		1,206	72
Lease liabilities		2,723	2,035
		25,604	20,576
Net current assets		11,494	13,289
Total assets less current liabilities		25,406	28,072

	Unaudited	Audited
	30 June	31 December
	2023	2022
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities		
Deferred tax liabilities	194	194
Lease liabilities	<u>3,708</u>	<u>4,602</u>
	<u>3,902</u>	<u>4,796</u>
Net assets	<u>21,504</u>	<u>23,276</u>
Equity		
Share capital	188,348	188,348
Reserves	<u>(166,844)</u>	<u>(165,072)</u>
Equity attributable to the owners of the Company	21,504	23,276
Non-controlling interests	<u>–</u>	<u>–</u>
Total equity	<u>21,504</u>	<u>23,276</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited								
	Share capital HK\$'000	Merger reserve HK\$'000	Equity-settled share-based payment reserve HK\$'000	Statutory reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Equity attributable to owners of the Company HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2022	188,348	(1,357)	7,846	1,647	874	(150,642)	46,716	1,004	47,720
Loss for the period	-	-	-	-	-	(16,190)	(16,190)	(1,040)	(17,230)
Other comprehensive (loss)/income:									
Exchange differences on translating foreign operations	-	-	-	-	(524)	-	(524)	36	(488)
Total comprehensive loss for the period	-	-	-	-	(524)	(16,190)	(16,714)	(1,004)	(17,718)
At 30 June 2022	<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>
At 1 January 2023	188,348	(1,357)	89	2,232	(205)	(165,831)	23,276	-	23,276
Loss for the period	-	-	-	-	-	(575)	(575)	-	(575)
Other comprehensive loss:									
Exchange differences on translating foreign operations	-	-	-	-	(1,197)	-	(1,197)	-	(1,197)
Total comprehensive loss for the period	-	-	-	-	(1,197)	(575)	(1,772)	-	(1,772)
Transfer of statutory reserve	-	-	-	36	-	(36)	-	-	-
At 30 June 2023	<u>188,348</u>	<u>(1,357)</u>	<u>89</u>	<u>2,268</u>	<u>(1,402)</u>	<u>(166,442)</u>	<u>21,504</u>	<u>-</u>	<u>21,504</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended	
	30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash flows from operating activities		
Profit/(loss) before income tax	<u>2,351</u>	<u>(17,230)</u>
Adjustments for:		
Change in fair value of commodity inventories	6	17
Depreciation of property, plant and equipment	341	616
Depreciation of right-of-use assets	1,320	1,262
Interest income	(10)	(10)
Interest expenses	393	55
Provision of loss allowance on trade and other receivables	204	32
Share of loss of an associate	30	1,866
Trading gains on commodity forward contracts	–	(40)
Fair value changes on other financial asset	<u>–</u>	<u>(50)</u>
Operating cash flows before changes in working capital	4,635	(13,482)
Increase in trade and other receivables and prepayments	(2,098)	(2,770)
(Decrease)/increase in other payables and accruals	(317)	1,121
Decrease in contract liabilities	<u>(4,215)</u>	<u>–</u>
Cash used in operations	(1,995)	(15,131)
Income taxes paid	<u>(1,792)</u>	<u>–</u>
Net cash used in operating activities	<u>(3,787)</u>	<u>(15,131)</u>

	Unaudited	
	Six months ended	
	30 June	
	2023	2022
	HK\$'000	HK\$'000
Cash flows from investing activities		
Interest received	5	3
Purchases of property, plant and equipment	(22)	–
Proceed from disposal of other financial asset	–	1,050
	<u>–</u>	<u>1,050</u>
Net cash (used in)/generated from investing activities	(17)	1,053
	<u>(17)</u>	<u>1,053</u>
Cash flows from financing activities		
Proceeds from borrowings	7,500	–
Interest element of lease payment paid	(141)	(55)
Repayments of capital element of lease payment	(1,003)	(1,168)
	<u>(1,003)</u>	<u>(1,168)</u>
Net cash generated from/(used in) financing activities	6,356	(1,223)
	<u>6,356</u>	<u>(1,223)</u>
Net increase/(decrease) in cash and cash equivalents	2,552	(15,301)
	<u>2,552</u>	<u>(15,301)</u>
Cash and cash equivalents at beginning of the period	4,180	20,880
Effect of foreign exchange rate changes	155	220
	<u>155</u>	<u>220</u>
Cash and cash equivalents at end of the period	6,887	5,799
	<u><u>6,887</u></u>	<u><u>5,799</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 trading of metal and metal supply chain business in Hong Kong and the mainland of the People’s Republic of China (the “**PRC Mainland**”), provision of education management services in the PRC Mainland and provision of money lending services in Hong Kong.

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2023 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 14 August 2023.

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

These unaudited condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the 2022 annual financial statements, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2023. The adoption of these new or revised HKFRSs has had no material effect on the amounts reported and/or disclosures set out in these unaudited condensed consolidated 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 2022 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 2022 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 2022. 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 2022 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 in Hong Kong and the 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 2023				
Reportable segment revenue (<i>note (i)</i>)	<u>125,700</u>	<u>14,564</u>	<u>–</u>	<u>140,264</u>
Reportable segment (loss)/profit	<u>(419)</u>	<u>10,999</u>	<u>(74)</u>	<u>10,506</u>
As at 30 June 2023				
Reportable segment assets	12,446	34,969	128	47,543
Reportable segment liabilities	<u>1,559</u>	<u>5,724</u>	<u>135</u>	<u>7,418</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 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 31 December 2022 (Audited)				
Reportable segment assets	15,297	27,507	190	42,994
Reportable segment liabilities	<u>4,597</u>	<u>5,037</u>	<u>191</u>	<u>9,825</u>

Note:

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

(b) Reconciliation of reportable segment results

	Unaudited	
	Six months ended	
	30 June	
	2023	2022
	HK\$'000	HK\$'000
Reportable segment profit/(loss)	10,506	(6,087)
Depreciation of property, plant and equipment	(5)	(12)
Depreciation of right-of-use assets	(592)	(968)
Interest expenses	(273)	(43)
Employee costs	(3,392)	(4,666)
Fair value changes on other financial asset	–	50
Other unallocated corporate expenses	(3,893)	(5,504)
	<u>2,351</u>	<u>(17,230)</u>

(c) Disaggregation of revenue

	Unaudited							
	Six months ended 30 June							
	Trading of metal		Education managements services		Money lending services		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Primary geographical markets								
Hong Kong	103,399	8,451	–	–	–	–	103,399	8,451
PRC Mainland (exclude Hong Kong)	22,301	1,860	14,564	1,824	–	–	36,865	3,684
	<u>125,700</u>	<u>10,311</u>	<u>14,564</u>	<u>1,824</u>	<u>–</u>	<u>–</u>	<u>140,264</u>	<u>12,135</u>

(d) Disaggregation of revenue from contracts with customers

	Unaudited	
	Six months ended	
	30 June	
	2023	2022
	HK\$'000	HK\$'000
By timing of revenue recognition:		
Control transferred over time	14,564	1,824
Control transferred at a point in time	125,700	10,311
	<u>140,264</u>	<u>12,135</u>

5. FINANCE COSTS

	Unaudited			
	Six months ended 30 June		Three months ended 30 June	
	2023	2022	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest expenses on borrowings	252	–	100	–
Interest expenses on lease liabilities	141	55	74	26
	<u>393</u>	<u>55</u>	<u>174</u>	<u>26</u>

6. INCOME TAX EXPENSE

The amount of the income tax expense represents the following:

	Unaudited			
	Six months ended 30 June		Three months ended 30 June	
	2023	2022	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax	<u>2,926</u>	<u>–</u>	<u>1,234</u>	<u>–</u>

Hong Kong Profits Tax is calculated at 16.5% (2022: 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 Law**”) and Interpretation Regulation of the EIT Law, the tax rate of the PRC Mainland subsidiaries is 25% for the period (2022: 25%).

7. DIVIDENDS

The Board does not recommend the payment of any dividend of the Company for the six months ended 30 June 2023 (2022: 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 30 June		Three months ended 30 June	
	2023	2022	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss				
Loss attributable to owners of the Company	<u>(575)</u>	<u>(16,190)</u>	<u>(1,447)</u>	<u>(7,729)</u>
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>829,404</u>	<u>829,404</u>	<u>829,404</u>

Diluted loss per share for loss attributable to owners of the Company for the three months and six months ended 30 June 2023 and 2022 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
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial assets measured at fair value through profit or loss (“FVTPL”)		
– Unlisted equity securities A (<i>note a</i>)	<u>4,280</u>	<u>4,280</u>

Note:

- (a) The unlisted equity securities A 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 2023, the Group held 18% equity interest in Lexus (31 December 2022: 18%).

10. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
Trade receivables	16,136	10,618
Less: provision for loss allowance	<u>(556)</u>	<u>(372)</u>
Trade receivables – net (<i>note</i>)	15,580	10,246
Loan interest receivable	893	893
Less: provision for loss allowance	<u>(893)</u>	<u>(893)</u>
Loan interest receivable – net	–	–
Other receivables and deposits	14,427	19,273
Less: provision for loss allowance	<u>(193)</u>	<u>(208)</u>
Other receivables and deposits – net	14,234	19,065
Prepayments	<u>142</u>	<u>113</u>
	<u>29,956</u>	<u>29,424</u>

Note: 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:

	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
0 – 30 days	7,968	8,388
31 – 90 days	5	922
91 – 180 days	7,607	426
Over 180 days	<u>–</u>	<u>510</u>
	<u>15,580</u>	<u>10,246</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 June 2023 (“**1H 2023**” or “**Current Period**”), the Group’s principal activities were broadly divided into the trading of metal and metal supply chain business in Hong Kong and the PRC Mainland, provision of education management services in the PRC Mainland and provision of money lending services in Hong Kong.

Trading of metal

During the Current Period, the impact of the pandemic on global economic growth and supply chains gradually receded as major countries/regions around the world lifted their pandemic restrictions and opened their borders, but there are still many risks and uncertainties in the global economic recovery amidst the high inflation and high interest rates. In the PRC Mainland, during 1H 2023, the impact of the domestic pandemic on the economy also gradually receded, and economic fundamentals recovered steadily.

During the Current Period, the Group successfully acquired a new important client, namely Sichuan Cloud Port International (Hong Kong) Limited (“**SCPI**”), which is mainly engaged in the offshore trading markets of metals, minerals and crude oil. This new client is a wholly-owned subsidiary of Sichuan Port and Shipping Investment Group Co., Ltd. (“**SPSI Group**”), which is a state-owned enterprise in Sichuan Province. SPSI Group is a large integrated trading group in western of the PRC Mainland with strong assets, a complete logistics industry chain and supply chain service capabilities. The Group’s inclusion in the list of suppliers of SCPI and the completion of its first order during the Current Period are sufficient to demonstrate the Group’s relevant business capability.

The Group has now successfully positioned itself as a trading of metal and metal supply chain integrator. For the trading of metal business, the Group has accumulated extensive experience in operation and management. After the receding of the pandemic and the relaxation of restrictions, the Group has proactively restored its diversified and extensive supplier channels in the PRC Mainland and the Asia Pacific region. Leveraging on the Group’s abundant resources of international and domestic suppliers, as well as its judgment of downstream demand, the Group bridges the resource mismatches in time, space and specific varieties of the relevant metal commodities in the market, so as to meet the multi-level trading needs of customers for metal products. For the metal supply chain business, the Group connects metal manufacturers with downstream metal product wholesalers and retailers, assisting clients in selecting suppliers with the best terms (including but not limited to product specifications, pricing, payment, delivery terms, etc.) and providing clients with onestop integrated services covering procurement, insurance, logistics, customs clearance, market intelligence, etc., enabling clients to streamline their own procurement process and effectively reduce overall procurement costs. The Group has provided supply chain services to several large scale clients of the PRC Mainland, each of which is connected to a large number of end-users, and therefore the Group has access to a large network of end-users through these clients. The strategic partnership with these clients has put the Group on a sustainable path of growth.

For 1H 2023, the overall revenue of the Group's metal trading business showed good recovery and explosive growth, representing an increase of approximately 1,119% as compared to the first half of 2022. Sales revenue of this business segment amounted to approximately HK\$125.7 million (for the six months ended 30 June 2022: approximately HK\$10.3 million). The substantial growth in revenue of the metal business demonstrates the Group's efforts to accelerate the development of its metal business and the sustainability of its business model.

Between 1 July 2023 and 14 August 2023, the Group also entered into contracts with several companies to provide metal trading and metal supply chain services, of which the successfully completed metal sales volume was approximately 2 thousand tons with the sales contract amounted approximately US\$16.8 million (equivalent to approximately HK\$131.3 million), and the outstanding metal sales volume was approximately 9.8 thousand tons. Clients include Yancoal International (Singapore) Pte. Ltd., which is a subsidiary of a Hong Kong listed company (the parent company of the Hong Kong listed company is a state-owned enterprise) and Vanding Innova SG Pte. Ltd., which is a subsidiary of a large key enterprise in the PRC Mainland.

In addition, on 21 June 2023, the Group newly appointed Mr. Zhang Siyuan (“**Mr. Zhang**”) as an executive Director and the Chairman of the Board. Mr. Zhang's joining the Board of the Group will further strengthen the expansion and development capabilities of the Group's metal trading business.

Education management services

As of 1H 2023, our wholly-owned subsidiary, Sichuan Loco Yahui Education Management Limited* (四川港銀雅滙教育管理有限公司) (“**Loco Yahui**”), was principally engaged in the provision of education management services to different schools and education institutions in the PRC Mainland.

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

During the Current Period, the Group continued to focus on helping its clients to enhance their comprehensive soft power (client operation support, operational management improvement and helping them to achieve Internet transformation, etc.) as well as assisting them to expand various opportunities to directly connect with students and parents, in order to expand student enrollment and utilization rates. The education management services business has maintained good sustained and stable growth. As of 30 June 2023, the utilization rate of 4 arts and physical education and training institutions clients has increased from approximately 35% in Q4 2022 to approximately 40% in 1H 2023; and the utilization rate of 1 well-rounded and nature experience education institution client has increased from approximately 20% in Q4 2022 to approximately 44% in 1H 2023. This was also in line with the gradual receding of the pandemic in PRC Mainland and the resumption of normal educational teaching and extracurricular programs for students.

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

This business segment contributed revenue of approximately HK\$14.6 million (for the six months ended 30 June 2022: approximately HK\$1.8 million) to the Group during the Current Period.

Provision of money lending services

As of 1H 2023, the global economic and social development is still facing a lot of uncertainties under the environment of high inflation and high interest rates, and we believe that 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 continued to adopt further enhanced risk control measures and prudent evaluation and lending policies in selecting qualified credit applicants for potential business opportunities. However, the Group will conduct related business accordingly when the time comes. Therefore, no revenue was recorded in this business segment during the Current Period (for the six months ended 30 June 2022: Nil).

OUTLOOK

Given that major economies are still experiencing high inflation and high interest rates, there are still many risks and uncertainties in the global economic recovery. In the PRC Mainland, the economy is recovering steadily as the country's pandemic restrictions are lifted and the focus is on economic development. The trading of metals and minerals is very important to production, construction and economic development of the PRC Mainland. We expect that the trading of metal business will benefit from the recovery of the economy of the PRC Mainland and the scale of business is expected to further increase. As for the education management services business, the Group's education management services business has been developing steadily as the pandemic subsides in the PRC Mainland, education teaching and students' extracurricular courses have returned to normal. We will keep abreast of the changes and opportunities in the international and the PRC Mainland environments, accelerate the development of our trading of metal business and steadily develop our education management services business under strict risk control. 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 2023, the Group had a total revenue of approximately HK\$140.26 million (for the six months ended 30 June 2022: approximately HK\$12.14 million), representing an increase of approximately 1,055% as compared with the six months ended 30 June 2022. For the six months ended 30 June 2023, the Group recorded a loss of approximately HK\$0.6 million (for the six months ended 30 June 2022: approximately HK\$17.2 million), representing a decrease of approximately 96.5% as compared with the six months ended 30 June 2022. The decrease in loss was mainly attributable to the net effect of:

- (i) an increase in the Group's total revenue of approximately HK\$128.12 million as discussed above;
- (ii) the carrying value of inventories sold was recognised approximately HK\$125.1 million (for the six months ended 30 June 2022: approximately HK\$10.3 million);
- (iii) share of loss of an associate approximately HK\$30,000 (for the six months ended 30 June 2022: share of loss of an associate approximately HK\$1.9 million);
- (iv) a decrease in employee costs of approximately HK\$1.9 million; and
- (v) a decrease in other operating expenses of approximately HK\$3.2 million.

For six months ended 30 June 2023, the Group's loss attributable to owners of the Company was approximately HK\$0.6 million, as compared to the loss attributable to owners of the Company of approximately HK\$16.2 million for the six months ended 30 June 2022.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2023, the Group had cash and bank balances of approximately HK\$6.9 million (31 December 2022: approximately HK\$4.2 million) and net current assets of approximately HK\$11.5 million (31 December 2022: approximately HK\$13.3 million). As at 30 June 2023, the current ratio stood at 1.45 times (31 December 2022: 1.65 times).

The Group generally finances its operations primarily with internally generated cash and borrowings. The increase in cash and bank balances of approximately HK\$2.7 million when compared with 31 December 2022 is mainly attributable to the proceeds from borrowings, netting off by the loss for the six months ended 30 June 2023 and the decrease in the contract liabilities.

As at 30 June 2023, the Group had outstanding borrowings of approximately HK\$19.6 million (31 December 2022: approximately HK\$12.1 million). The borrowings represent loans denominated in HK\$ from shareholders of the Company bearing interest at 2.5% per annum which are unsecured and are repayable within one year.

As at 30 June 2023, no banking facilities were granted to the Group (31 December 2022: Nil). The Directors believed that the Group has adequate financial resources to fulfill its commitments and working capital requirements.

GEARING RATIO

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

As at 30 June 2023, the gearing ratio was 47.0% (31 December 2022: 38.4%).

CHARGE ON THE GROUP'S ASSETS

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

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 30 June 2023, 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 2023, the Group did not have any significant investments, acquisitions and disposals of subsidiaries, associates and joint ventures.

CAPITAL COMMITMENT

As at 30 June 2023, the Group did not have any significant capital commitment (31 December 2022: Nil).

FOREIGN EXCHANGE EXPOSURE

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

CONTINGENT LIABILITIES

As at 30 June 2023, the Group did not have any material contingent liabilities, guarantees or any litigation or claims of material importance pending or threatened against any member of our Group (31 December 2022: Nil) and there has not been any material change in the contingent liabilities of the Group since 30 June 2023.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2023, the Group employed a total of 26 staff (31 December 2022: 24). The total of employee remuneration, including remuneration of the Directors, for the six months ended 30 June 2023 amounted to approximately HK\$5.1 million (for the six months ended 30 June 2022: approximately HK\$7.0 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 2023 (2022: 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 2023, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions

Ordinary shares and underlying ordinary shares of the Company

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

Note 1: The approximate percentage of shareholding was calculated based on the total number of ordinary shares in issue, being 829,404,000 shares as at 30 June 2023.

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

Short Positions

As at 30 June 2023, 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

So far as is known of the Company, as at 30 June 2023, the following persons/entities (other than the Directors and chief executives of the Company as disclosed above) have interest or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name	Nature of interests	Number of ordinary shares held	Approximate percentage of shareholding (Note 1)
FIAS (HONG KONG) CO., LIMITED (Note 2)	Beneficial owner	192,980,000	23.27%
Hon Pok	Beneficial owner	76,000,000	9.16%
Zhang Bo	Beneficial owner	45,000,000	5.43%
Poon Kwan Ho	Beneficial owner	46,000,000	5.55%

Notes:

1. The approximate percentage of shareholding was calculated based on the total number of ordinary shares in issue, being 829,404,000 shares as at 30 June 2023.
2. FIAS (HONG KONG) CO., LIMITED is wholly owned by Mr. Zhang Siyuan, the executive Director.

Save as disclosed above, no other interests or short positions of any persons/entities (other than the Directors and the chief 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 2023.

SHARE OPTIONS

The Company adopted a share option scheme on 22 July 2014 (the “**Share Option Scheme**”), a summary of the share options granted under the share option scheme of the Company are as follows:

Type of Participants	Grant Date	Exercise price per share HK\$	Exercise period	Number of share options and underlying shares					Outstanding as at 30.6.2023
				Outstanding as at 1.1.2023	Granted	Exercised	Cancelled	Lapsed	
Employees	10.4.2015	0.78	10.4.2015 – 9.4.2025	160,000	-	-	-	-	160,000
Others	10.4.2015	0.78	10.4.2015 – 9.4.2025	120,000	-	-	-	-	120,000
				<u>280,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>280,000</u>

The fair value of equity-settled share options granted during the year ended 31 December 2015 was HK\$0.319 per option, amounted to approximately HK\$520,000 in aggregate. It was estimated as at 10 April 2015, being the date of grant, using the Black-Scholes Option Pricing Model and taking into account the terms and conditions upon which the options were granted. The significant assumptions and inputs used in the estimation of the fair value are as follows:

Share price at date of grant	HK\$0.78
Exercise price	HK\$0.78
Volatility	45.90%
Risk-free interest rate	1.09%
Dividend yield	0%
Expected life of option	5 years

The expected life of the options may not be necessarily indicative of the exercise pattern that may occur. The expected volatility reflects the assumption that the historical volatility of comparable companies are indicative of future trends, which may also not necessarily be the actual outcome.

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

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

The Group did not recognised employee costs for the six months ended 30 June 2023 and 2022 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 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

COMPETITION AND CONFLICT OF INTEREST

During the six months ended 30 June 2023, to the best knowledge of the Directors, none of the Directors, management, shareholders or substantial shareholders of the Company or any of its respective associates 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 2023, to the best knowledge of the Board, the Company had complied with the code provisions set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules (“**Code Provisions**”), save for the deviation from C.2.1 of the Code Provisions as explained below.

C.2.1 of the Code Provisions stipulates that the roles of chairman and chief executive officer should be separated. Before 21 June 2023, Mr. Wang Wendong holds both positions. 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.

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

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

Code of Conduct Regarding Securities Transactions by Directors

The Company has adopted a code of conduct regarding securities transactions carried out by Directors, that is not laxer than relevant standards of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries to all Directors, they confirmed they 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 2023.

Audit Committee

The Company established the Audit Committee on 22 July 2014 with written terms of reference that was amended and adopted with effect from 2 January 2019 in compliance with D.3.3 of the Code Provisions. The duties of the Audit Committee include reviewing, in draft form, 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 results announcement, including the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2023, 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. Zhang Siyuan (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 its subsidiaries.

As at the date of this announcement , the Executive Committee comprises two executive Directors, namely Mr. Zhang Siyuan (Chairman) and Mr. Fung Chi Kin and one independent non-executive Director, namely Mr. Zhou Tianshu.

CHANGES IN DIRECTORS’ INFORMATION

Changes in the Directors’ biographical information since the date of 2022 annual report of the Company and as at the date of this announcement are set out below:

On 21 June 2023, Mr. Wang Wendong resigned as the director of Loco Metal International Limited and Success Vision International Holdings Limited, both companies incorporated in British Virgin Islands and wholly-owned subsidiaries of the Company.

On 23 June 2023, Mr. Wang Wendong resigned as the director of Loco (HK) Metal Limited and United Worth Finance Limited, both companies incorporated in Hong Kong and indirect non-wholly owned subsidiaries of the Company.

On 23 June 2023, Mr. Fung Chi Kin resigned as the director of Lead The Way Limited, a company incorporated in Hong Kong and wholly owned subsidiary of the Company; and CPM Silver Limited, a company incorporated in Hong Kong and indirect non-wholly owned subsidiary of the Company.

On 21 June 2023, Mr. Zhang Siyuan appointed as the director of Loco Metal International Limited, Loco HK Limited and Success Vision International Holdings Limited.

On 23 June 2023, Mr. Zhang Siyuan appointed as the director of Loco (HK) Metal Limited, United Worth Finance Limited, Lead The Way Limited, China Precision Material Limited and CPM Silver Limited.

Save as disclosed above, there is no change of information of each Director that is required to be disclosed under Rules 17.50(2) and 17.50A(1) of the GEM Listing Rules since the publication of the 2022 annual report of the Company.

CONTINUED SUSPENSION OF TRADING

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

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

Hong Kong, 14 August 2023

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